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**THE BRITISH TAXPAYER
AND HIS WRONGS.**

THE
BRITISH TAXPAYER
AND
HIS WRONGS.

*Including an Analysis of a typical year's Imperial and Local Taxation,
with remarks on the Budget proposals of 26th March, 1888, and an
Appendix.*

By "FINANCE," pseud. for

Herbert



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PREFACE.

As one step onwards in quest of an equitable system of taxation, it is hoped that this little work may justify its publication, and that this slight contribution to the mass of literature on the subject may provoke further efforts to master the apparently insoluble problem of—"how to raise National Revenues with equity and justice."

Detailed criticisms on each tax and group of taxes in our three tax systems appear in pages 13 to 124, as shown in the Table of Contents and Index.

A broader review of the British Taxation *as an entire system* is entered upon at page 134, and is also referred to in the Introductory Chapter, where my reasons for thinking that a thorough revision of our tax systems is urgently needed, are given with sufficient brevity, I trust.

THE AUTHOR.

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Absence of Science in Taxation.

"Few things are of more importance to civilised society than a sound system of taxation, and it seems strange that nations should rise, flourish, and decline without arriving at a perfect mode of collecting national revenue."—" *Civilisation, Taxation, and Representation.*"—By G. Hollo-way. London, 1867.

"It would be hard to find in the whole region of Political Economy a subject more generally misunderstood and perverted by false views, and more degraded by a partial study, than taxation."—" *Die lehre von den Steuern.*"—Hoffmann. Berlin.

A Free Nation should know what it pays in Taxes.

"Such a Government starts from the principle that the people is the source of power, and is competent to govern itself. It ought not then to act on the opposite principle that the people ought not to know what they pay, or how it ought to pay. The people is the person from whom, *especially*, nothing should be hid of that kind. It ought to know why and how much it should contribute, and also for what purpose the produce of its contribution is expended. To me, therefore, the argument so often used in favour of indirect taxation, *that the people do not feel it*, is one of the strongest arguments against it. The more a people feels taxation, and the more it watches with jealousy the public expenditure, the better it is for itself and its rulers."—" *Elements of Political Economy.*"—Professor Wayland. Boston, 1848—p. 394.

Some Fiscal Principles still recognised in the levy of Imperial Taxation.

(Extracted from an article by Dr. Farr in the *Statistical Society's Journal*—January, 1853.)

"Discourage the consumption of articles, which like *Spirits*, are noxious, or are not indispensable, as *Tobacco*.

"Levy the taxes on many articles in small sums indirectly, so that the contribution to the revenue may be concealed in the price of commodities or services."

"Whenever property is converted into money by transfer, and its value is thus known, seize a part of the money.

"Intercept produce at its source, or on its passage to the pocket, and thus save the taxpayer unpleasant annoyance, the tax-collector, trouble.

"Let the payment of taxes appear to be in a certain sense *voluntary*, or dependent on some contingency.

"And generally ('Wise as serpents harmless as doves'),

"Collect the taxes at any source from which they can be most readily obtained."

* "Montesquieu has a chapter on Taxes, headed '*Comment on conserve l'Illusion*'—Machiavelli alone could do the subject justice."

British Local Taxation and Government.

Remarks by the Right Hon. G. J. Goschen, April, 1871, on introducing Bill thereon.

"The truth is that we have a chaos as regards authorities, a chaos as regards rates, and a worse chaos than all as regards areas. And not only that, but every different form of collection which it is possible to conceive is applied to the various local authorities administering these various rates in these various areas."

THE BRITISH TAXPAYER

AND HIS WRONGS.

IN dealing with this subject it will be noticed that I have attached considerable importance to the matter of *equity*, or as it is more often termed *equality*, in taxation.

Importance of equity in taxation.

For it appears obvious that a system of taxation unjust in its main principles cannot possibly be a politic one in the long run, or remain a permanent institution in a free community much advanced in civilisation.

However long the delay in fully realising its injustice, it may be certainly predicted that the time will come when its *impolicy* as well as its *injustice* will be made evident to those suffering under its effects.

So paramount an element indeed is equity in the science of taxation, that it seems to dwarf all other considerations, and, indeed, to absorb them.

This can be better understood by attentively examining *Adam Smith's* "four axioms of taxation," which will be found resolvable into one inclusive principle, "*Justice in taxation*," to which so much importance is attached by certain British, American, and French economists, and particularly by M. Esquirou De Parieu, perhaps the most distinguished of the many French writers on the subject.

Probably many who have studied this question have remarked what small progress since the days of Adam Smith has been made in developing the *science* of taxation, in comparison with the advance made in other branches of Political Economy and Sociology.

Slow development of science of taxation.

How few steps forward can be recorded beyond the "four axioms" just noticed !

Nor in the *art* of taxation can there be observed much improvement if we take a wider outlook, and consider whether

there is any general concurrence in the practice of governing bodies. As far as can be judged, *direct* and *indirect* taxation seem still in the balance as regards their relative merits and disadvantages.

So far as the practice of State Governments may aid us in forming an opinion, an admixture of both systems would perhaps appear the proper method for adoption.

But it may be argued with some force and fairness, that the practicability of the occasion is the real factor which decides their action in these matters, not conviction from the demonstrations of science, or the indications of theory.

Professor Amasa Walker, in his introductory chapter on "*The Science of Wealth*," remarks that human legislation is the greatest disturber of the laws of Political Economy, and that it obscures the science. It would certainly seem to have so acted in respect of taxation.

Evidences of
the want of
fixed prin-
ciples in
taxation.

Whatever the cause, *the unsatisfactory character of the systems of taxation pursued* in various States, with either despotic or free constitutions, may be gauged from the wars and revolutions, the riots and seditions, the overthrowals of ministries and rulers, the frauds and evasions and attendant prosecutions and punishments, which occur with unfailing regularity in the several States, besides all the international disputes and bickerings, the manifest outcome of their tax-laws and tariffs, just as if there were no science whatever on the subject, and history and experience counted for nothing in supplying warnings and guidance for legislation on taxation.*

Constantly do we hear or read of discussions in legislative bodies and amateur parliaments upon the principles of taxation, of disquisitions on the subject in magazines, newspapers, and pamphlets, &c.; and the volume of these discussions and writings shows no sign of shrinkage, making it obvious to ordinary minds that the subject has not yet been thoroughly threshed out. The wide divergence in the views of economic writers, British and foreign, on taxation points to the same conclusion.

* The wasteful expenditure of Governments is no doubt answerable for some of these results, and their application of public moneys to improper objects for others; but, as will be seen, my remarks are directed mainly to the ill-considered methods by which our taxation is raised.

Yet this question of arranging the contribution of the subjects of a State for the purposes of central and local government as equitably and economically as possible meets the statesman at the very threshold of his inquiry into political science and the art of administration.

Importance of a correct system of taxation.

The problem is one of some financial importance, for the amount of wealth thus extracted from a community by means of taxes is not only very large, but the operation is continuous ; therefore, whether the taxation be equitably or unfairly *levied* on each class and each individual becomes a matter of supreme consequence to the prosperity of the State, quite irrespective of the manner in which such taxation may be *expended*.

In dealing with this question I shall confine my remarks almost entirely to the subject of *tax levy or production*, referring only so far as is necessary for my line of argument to the wide question of *imperial, provincial, and local expenditures*, which measure and regulate the degree of their respective taxations.

This inquiry mainly confined to tax levying.

At the present time then, in this country, it may safely be affirmed that a definite plan for taxing the community on principles consistent with justice and true political economy is *still an unsolved problem*, and from many signs and evidences, we may also safely conclude that our rulers as well as our fellow subjects are becoming deeply concerned and interested in its proper solution.

A Tax system based on true Political Economy—a social need.

Alluding to this social need, the late Mr. G. R. Porter, thirty-seven years ago,* wrote : " The whole subject of taxation is one of the highest importance, and yet it is to be feared that the principles by which it should be governed are but partially understood."

Similar comments have been quoted on the opening page hereof from the writings of Mr. Holloway and of Mr. Hoffmann.

Very little study and reflection bestowed on the history of taxation in this and other countries will, however, make it evident that statesmen have grave practical difficulties to encounter in applying abstract principles of taxation to the forms and conditions of society and law in their respective

Impediments to reform in taxation.

* " *The Progress of the Nation* "—G. R. Porter, F.R.S., &c. &c., London, 1851—p. 497.

countries, and due allowance must be made for this in commenting on the slow progress made in the *art* of taxation.

There are also what may be termed *moral impediments* to reforms of the kind, such as the inherent selfishness of human nature, prompting individuals to cast the burden of taxation on others less able than themselves to bear it; also that hard, unsympathising frame of mind, too often engendered by excessive wealth and luxury, making the possessors incapable of seeing that their wealth is too largely in excess either for their own true advantage or for that of the general community, at times taking that peculiar form of mental excitation shown in a frenzied eagerness for further gains the more their belongings increase.

These obstacles to the action of statesmen will be found to be real and substantial ones, for in the ordinary course of the life of a nation the wealthy become the possessors of power, if not the actual framers of the laws, and the philosophic statesman, however willing to follow the teachings of political economy, finds himself too often powerless to influence the owners of privileges obtained at the cost of the general community. And these wealthy possessors may be quite unable to see that they are at all responsible for the great contrast in the financial condition of themselves and their poorer neighbours, or morally bound to remedy it. In their view these great differences may seem the natural outcome of just laws. The indolence and indifference, the love of pleasure and want of sympathy, so often induced by excessive wealth, tend to indispose its possessors to examine the effects of past legislation with a view to ascertaining whether injustice is really being done to the masses by the operation of such laws.

Exceptions there are, and probably always have been, among the wealthier classes in this kingdom, of noble men and women striving, with extraordinary sympathy and tact, to improve the social condition of their poorer neighbours. But the destitute condition of large numbers of our fellow countrymen in our crowded cities too plainly proves that exceptional beneficence is not a power strong enough to stem the insidious tide of poverty, and that we must look to further legislation to find a sufficient remedy for preventing the gradual degradation of the masses, and the desertion of the agricultural districts, whilst

the number of millionaires is at the same time unquestionably on the increase, notwithstanding some statistics lately quoted in reduction of its significance.

Making due allowance for these and other practical difficulties in the way of our rulers, it still seems strange that a more equitable plan for raising funds for general purposes should not have been devised, though for other administrative objects, apparently much more complicated, adequate laws are framed to meet the necessities of the case.

It may be said that other subjects of legislation do not so largely and directly affect the pocket as taxation does, but surely this explanation rather gives emphasis to the demand for prompt reform in this branch of administration.

Year by year bitter complaints are made in letters to the Revenue Departments, in pamphlets and newspapers, in public meetings, in social intercourse, and in business circles, of the gross injustice and impolicy of the different taxes comprised in our fiscal system, if *system* it can be called.

Meagre result of constant and manifold complaints about the tax laws.

It is actually a fact that several associations exist in this kingdom for the sole purpose of abolishing or reforming certain of the taxes and tax laws, separate societies for distinct taxes, and some periodicals seem to owe their success chiefly to their constant advocacy of fiscal reforms.

Year after year goes by without any broad measures being introduced to remedy the defective methods of raising the revenue, the taxes are occasionally nibbled at small irregularities are filed down, and—that is all.

Judging from the present financial and social condition of the Kingdom and the attitude of certain classes towards one another, there is much to make the thoughtful uneasy respecting the future. The teaching of the old pagan philosopher in his fable of the foolish revolt against the stomach by the other organs, and the corresponding Christian doctrine of *the mutual dependence on each other of the several members of the body corporate* seem more than ever applicable to the existing state of society in this land.

Critical state of the nation financially and socially.

The late Prince Consort said in (May) 1848, at a meeting of the *Society for Improving the Condition of the Working Classes*: “Depend upon it, the interest of classes, too often contrasted, are identical, and it is only ignorance which prevents them

from uniting for each other's advantage. To dispel that ignorance, to show how man can help man notwithstanding the complicated state of civilised society, ought to be the aim of every philanthropic person; but it is more particularly the duty of those who, under the blessing of Divine Providence, enjoy station, wealth, and education."

Can we reasonably expect any permanent decrease in the widespread discontent in the land to result from the disruption of rent contracts permitted in recent years, followed as it probably will be by the repudiation of other forms of contract; or shall we not rather look for relief in the more gradual but legitimate revolution to be achieved by rightly distributing the fiscal burdens on property and releasing labour from taxation—a plan which, supplemented by other needful reforms in land tenure, registration, and transfer, would be certain to exercise enormous and lasting influence in restoring feelings of peace, contentment, and security to rich and poor alike.

Shrinkage in
the sources of
taxation.

Mr. Goschen, in his Budget speech (April, 1887), pointed out that the sources of taxation are not only becoming fewer, but that what remain are actually narrowing; and Lord Basing (late Mr. Selater-Booth), another well-known financial authority, has more recently expressed similar opinions.

It may well be doubted whether our present tax sources could bear the strain of an European war with high tax-rates.

Marked
increase in
aggregate li-
ability of the
Imperial and
Local Govern-
ments.

The marked tendency of local government bodies to meet expenditure by means of loans instead of an increase in the rates, already so burdensome, strongly support the view that taxpayers are finding the pressure of the present taxation intolerable.

Looking at the aggregate debt of the Local and Imperial Governments, we observe an annual increase of millions of pounds to the national liabilities coincident with a growing repugnance of taxpayers to bear additional burdens; yet, as Mr. Giffen—the eminent statist—clearly demonstrated in a paper read at the Statistical Society some few years ago,* there is an ample margin *somewhere* for additional taxation in the United Kingdom.

Probability of
fiscal reforms.

Recently the masses of the community have become possessed

* "Recent accumulations of Capital," &c.—Journal of the Statistical Society—March, 1878—page 20

of large and unprecedented privileges in respect of voting for representatives in Parliament, and the effect of the popular vote has already led to the return of members bent on the reform of fiscal and financial abuses.

Moreover both the great political parties seem anxious for the introduction of measures of the kind. The present, then, should be a favourable time for ventilating this question of taxation, with a view to ascertaining whether a juster and more economical system of raising the needful public revenues is not attainable.

Several ill-considered, communistic schemes have indeed already been broached in the last few years, violating the most elementary principles of equity and political experience. Communistic proposals of the kind.

The sensation created by Henry George's work "Progress and Poverty" was probably in large measure due to the graphic way in which he represented the startling contrasts between the enormous wealth and hideous poverty and degradation unquestionably to be found side by side in the large cities of civilised States, and to the eloquent terms in which he advocated the necessity of radical improvement in the social position of the masses ; but in the remedies he suggested, the most obvious principles of justice were strangely ignored. His first proposals were little else than those of the French physiocratic school—that the land should bear all the burdens of taxation—a theory long ago exploded as unjust in principle, and politically unsound. In a latter work of his there is but a very partial modification of his original scheme.

Happily for the human race a love of justice is inherent in it, an aversion to dishonesty, and a consciousness of what is right and what is wrong, even though there may be at times an inability to use the right logical arguments to circumstantially prove the fact of injustice. May we not reasonably believe that these great permanent ideas of equity are in the hearts of our fellow subjects, though at times they may find but imperfect and faulty expression ? Is it not possible that an insufficiently developed conception of a true principle may lead some to advocate the policy of taxing manufactures and even raw materials and food ? May not a real sense of injustice move owners of lands and houses to argue that owners of stock-in-trade should share the burden of rates and taxes ? Is the

objector so altogether wrong when he maintains that the well-to-do artisan, earning with his family some £200 a year, should not be able, by abstaining from certain taxed articles or services, effectually to escape almost all taxation?

And on the other hand are not the champions of the poorer classes probably right in their contention that the mansions and parks and lands of the nobility and merchant princes, &c., are inadequately taxed and rated; that the taxes on tobacco, spirits, tea, and other articles of consumption, being assessed on the *quantity or weight* of these articles instead of on their *value*, bear with peculiar severity on the consumers of the coarser and lower-priced kinds; and that, as regards questions of Local and Imperial expenditure and the consequent taxation involved, the masses are so ill represented, if not ignored?

Want of principle of equality in taxation illustrated in the Debates of 1886.

The absolute want of principle and system in our national taxation was well illustrated in the year 1886, by the confusion and contradiction as to fiscal and financial facts displayed in the debates in the Commons on Sir J. McKenna's motion on the relative contributions and expenses of England, Scotland, and Ireland; and again in the debates on "Home Rule" that year.

Reasons for obscurity as to ratio of tax incidence and tax liability.

It will indeed be found impossible to determine such facts with any approach to accuracy from the figures at the command of the general public. Most exaggerated statements on the subject were made in the House, partly the result of viewing but one side of the revenue and expenditure accounts, instead of taking both *cost* and *returns* into consideration, as experienced accountants would do; but apart from that, the nature of the taxation itself is so involved, the exceptions, exemptions, and differences in the fiscal systems of the countries so numerous, and the finance and accounts so arbitrary and unintelligible, that it will be found impossible to show with any precision how the incidence of the general taxation acts in Great Britain as compared with Ireland, or on one class or person as compared with another class or person.

Though perfectly aware that attempts at comparisons of the kind have been made from time to time by several well-known statisticians, yet to my thinking such estimates are necessarily very incomplete and inconclusive, as I shall show later on.

In any reasonable scheme of taxation should such obscurity be an indispensable feature?

Should it be so complicated and diverse in its basis and degrees of incidence that no one can ascertain whether a province or other section of the community is or is not contributing its proper quota? Cannot some system of taxation at once just and practicable be framed, harmonising with those laws of political economy generally accepted by modern statesmen as sound and well tested by experience, or are we ever to grope on in the present *hand-to-mouth* or *happy-go-lucky* fashion?

Much inquiry has of late been extended in this direction, and indeed legislation in some substantial form has now been distinctly promised.

Advantages from fiscal reforms in prospect.

The matter is certainly one of vast social importance, millions of families being profoundly concerned in its right adjustment. Moreover it has become a problem urgently demanding immediate settlement, as affecting the largest and deepest interests of the Empire, a problem too which, satisfactorily and permanently solved and regulated, would powerfully help to allay the sense of injustice and unfair treatment now so prevalent in the minds of our fellow countrymen, whether of English, Welsh, Scotch, or Irish nationality.

It has seemed to me perfectly evident that the intricacies involved in this question can only be properly grappled with and brought home intelligibly to the minds of the general public by treating the subject in some detail, by a careful and painstaking investigation of each tax in its various bearings, so that the taxpayers may rightly comprehend the real issues, and be able to judge whether the remedies afterwards to be proposed are adequate for their object and fairly practicable.

Brief plan of my work.

With this view I shall in the first part of my work describe the different taxes in force in the United Kingdom, and shall freely criticise them in their equitable, economic, and political aspects, so as to illustrate the *Wrongs* inflicted by their action on the taxpayers as well as on the general community; and further, I shall examine the character of this taxation more broadly as a whole—as a *system of taxation*, if it may be so termed, and notice some arguments advanced in its defence.

Part I.—The Taxpayer's Wrongs.

**Part II.—The
Taxpayer's
Rights and
Remedies.**

In the second part—dealing with the *Rights* and the *Remedies* of the taxpayers—which I hope to publish shortly, it will be my object to show that in Sociology, the Science of Government and Political Economy, there are certain well-established and acknowledged axioms which may be safely taken as bases on which to establish a sound system of State taxation. I shall then submit a plan of taxation framed in harmony with those principles so far as I understand them, and endeavour to answer objections raised from time to time to schemes of a somewhat similar kind, concluding with suggestions for gradually introducing the proposed system so as not to disturb the national finance.

Local taxation
must be
included.

Among the taxes dealt with in this first portion, *Local Taxation* has been included, for this and Imperial Taxation can only be viewed as parts of one entire system, as the most casual study of the subject will soon make apparent.

Cognate
subject of
Colonial con-
tributions and
relations with
the Imperial
Government.

The collateral question—of the relations between the parent country and its colonies (Crown or semi-independent) in respect of their contributions for Imperial purposes—may best be dealt with here, as it can be treated briefly, so far as my subject requires.

Neither law nor fixed usage governs such contributions, nor is there apparently any settled arrangement in respect of any particular colony. A few colonies have from time to time contributed "*something*" for Imperial purposes, but the "*something*" must in nearly every instance be regarded as quite inadequate and disproportioned to the infinite advantages gained by the colony from the Imperial institutions, and protective influences and connection.

So far back as the year 1863 attention was publicly called to this matter in a paper read at the Statistical Society by Mr. Purdy, a prominent member of the Civil Service; but till quite recently the question has never been seriously taken up by the Government, though the larger semi-independent Colonies are becoming exceedingly wealthy and contracting large liabilities in the parent country in the shape of State Loans, &c.*

Imperial
claims on
Colonies, or
special self-
taxation by
the Colonies?

Some fixed arrangement between the Imperial Administration

* At a meeting of the Colonial Institute, 10th May, 1887, Mr. Baden Powell stated the amount of Colonial Government liabilities for Loans, Bonds, &c., as £226,000,000, of which securities, a large proportion must be held in the United Kingdom.

and the legislatures or governing bodies of the several Colonies seems absolutely necessary, either in the shape of a *periodical claim for general imperial services rendered, to be honoured by the respective Colonies, or by some distinct system of self-taxation for imperial purposes arranged in each Colony.*

Those well acquainted with the character of the accounts kept in the public departments will readily understand that *claims on the Colonies* for such services would be very difficult to construct, and most unsatisfactory if constructed from the insufficient records existing, "capital and liability" accounts being almost wholly disregarded, and "outlay and return" accounts being almost exceptional as matters of record. Claims would have to be limited in a far from satisfactory way, and reduced to a mere bargain to perform certain cognate services for a certain proportionate money payment, loosely and imperfectly estimated. This latter plan seems on the high road for adoption in regard to the Australian Colonies.

Imperial
claims on
Colonies.

In respect of *special self-taxation by the Colonies for Imperial services*, our larger Colonies evidently see little to admire and imitate in our fiscal system, and, wanting a better exemplar, have in too many cases resorted to a protective system of taxation.

Special self-
taxation by
the Colonies.

The impolicy and shortsightedness of this course has been powerfully exposed by the late Professor Fawcett.* But how can the British Nation fairly object to this when it raises so large a proportion of its own public revenue from Customs Duties, a sensible part too of these latter on imports from these very Colonies.

Free trade or
protection in
the Colonies.

Agreeing with the general drift of Mr. Fawcett's arguments against a purely protective tariff, are there not, however, some considerations to be taken into account in the position of a young Colony striving to become independent of parental government and assistance? May it not in a certain sense be a *wise policy* to foresee the necessity of encouraging certain industries, so as not to be wholly dependent on a distant country for products of primary importance for the very existence of the community; to foresee, too, the possible contingency of the supplies from the parent country being cut off by abnormal causes. Yet it appears to me that provision for this might

* "Political Economy"—H. Fawcett—p. 566.

be made without resorting to *protective import duties*, and I hope to be able to show in the second part of this work that this may be attained by a well-devised system of taxation, and that protection of the kind desired is rather a matter for internal regulation than for the imposition of deterrent Customs Duties.

Whatever plan of taxation may ultimately find favour here at home, it is to be hoped it may have a moderating effect on the extraordinary accumulations of wealth now centring in the hands of certain classes and individuals, whilst the masses of the people, educated and ignorant alike, are struggling for bare existence, with but cheerless prospects in the gloomy future of making proper provision for their old age, and for those dependent on them, when their working power fails.

Effects of subsidising the masses and of class legislation.

As a partial remedy for this state of affairs the masses have for some years past been heavily subsidised from the imperial and local taxation, and class legislation, some of it obviously most unfair and impolitic, has been resorted to, causing the true economic issues of the naturally abstruse problem of equal national taxation, to be still further complicated and confused.

Concluding remarks.

A quotation from a work of the late R. Dudley Baxter* referring to the advantages of fiscal reform may suitably close this introductory chapter:—

“The propertied classes are above all things interested in removing any well-grounded dissatisfaction, and thus increasing the stability of our institutions.

“Let the subject be fully and fairly investigated in the interest of the nation, endeavouring to arrive truthfully at the actual facts, and the result will promote the welfare and security of all classes of society.”

The present taxes, imperial and local, will now be described and criticised, and it need hardly be explained that these criticisms are of course directed against the taxes themselves, and in no sense against those who have to administer the tax laws; and I may state that whenever the public records did not sufficiently explain matters and required further explanation, I have in such cases received the readiest and most courteous assistance from the Revenue Officers.

* “The Taxation of the United Kingdom”—R. D. Baxter, F.S.S., London, 1869—p. 48.

IMPERIAL TAXATION.

The figures used in this analysis of the various taxes raised by the Central Government are, with one exception, the new Corporation Duty, based on the net revenue from each tax paid into the Exchequer in the financial year ended 31st March, 1885, as shown in the Annual Finance Accounts of the United Kingdom.*

Authorities
consulted.

This particular year seemed specially suitable for my purpose, inasmuch as it presented a fair type of the high level of expenditure and consequent taxation now thought necessary; moreover, it was a fifteenth year, specially favoured by a more elaborate report from the Inland Revenue Commissioners, accompanied with extra details in the Appendix tables, and further, this year was the latest with which the Local Taxation Accounts (usually so much in arrear) could be fully compared and assimilated. The Corporation Duty imposed for the first time in 1885-6 is the only exception to the above plan, the revenue for that year being dealt with.

The particulars given in respect of the several imperial taxes are mostly taken from the Reports of the Customs and Inland Revenue Departments, 1885 and 1886. The Statistical Abstracts, 1886, &c., have also supplied certain facts.

The *Indirect Taxes* will first be examined, beginning with the Customs Duties, as the more ancient "money-producing tax."

The Indirect
Taxes.

THE CUSTOMS DUTIES. . .

Amongst the many different forms of Customs Duties levied in this country in early times was one which took from importers of wine (and some other goods) a fixed proportion of the imported goods, usually every tenth barrel of wine, for the service of the Crown; and though the tax was imposed in rather an arbitrary manner, yet there was a certain rough

Equity observed in certain
obsolete forms
of Customs
Dues.

* The Exchequer Receipts present a fairer average of annual tax produce than the Departmental receipts, owing to the latter being more influenced by traders' anticipations of higher or lower duties, &c.

equity in the way it was levied, and considering the restricted commerce of those days, the tax was probably more easily collected, and was certainly more equitable than our present Customs Duties as described in the Table below.

Injustice attended the substitution of *specific duties* for *ad valorem* duties.

With the increase in the number and variety of imported and exported articles taxed came modifications in the form of the tax, and *ad-valorem* duties, and ultimately *specific* duties, on quantity or weight were introduced, and had the rates of these specific duties been fixed with due regard to the *value* of the goods, rather than to their being viewed as *luxuries*,

ABSTRACT OF THE CUSTOMS TARIFF OF DUTIES AND NET REVENUE THEREFROM, 1884-5.

Articles taxed.	Rates of Duty.	Net Duty surrendered to the Exchequer.
Tobacco and Snuff ...	Unmanufactured Tobacco, 8s. 6d. and 3s. 10d. per lb.; Manufactured, 4s. 4d. and 4s. 10d. Cigars and Cigarettes, 5s. 6d.; Snuff, 4s. 1d. and 4s. 10d.	£9,201,043
Spirits ...	Per proof gallon, 10s. 4d.; Un- tested liqueurs, 14s. per gallon	£4,313,039
Wines ...	Per gallon, 1s.; then 2s. 6d., 2s. 9d., per gallon, according to the de- grees of proof spirit contained, above the 1s. class of Wines ...	1,233,998
Beers, &c. .	Per gallon, 2d. 16'; 8d. 66'; and 10d. 16', according to the spe- cific gravity of the Wort before fermentation	9,314
Fermented liquors (as above)		£5,556,351
Tea, at 6d. per lb.		£4,634,982
Coffee, Co- coa, Dried	Raw Coffee, 1½d. per lb.; Roasted Coffee, 2d.; Cocoa, 1d.; Dried	885,481
Fruits, &c.	Fruits, ½d.	
Groceries (as above)		£5,520,463
Gold & Sil- ver Plate.	Gold Plate, 17s. per oz.; Silver Plate, 1s. 6d. per oz.	6,404
All other Articles and the Charges for Bonded Warehouses, &c. (<i>Less</i> Duties Isle of Man, £792, &c.)	Drugs, Soap, &c., made up with spirits; Playing Cards, &c., at various rates of Duty from £1. 5s. per gallon on Sulphuric Ether, to 3d. per lb. on Trans- parent Soap	36,739
Net Customs Duties paid into the Exchequer ...		£20,321,000

NOTE.—The detailed amounts are necessarily only approximate figures, as deductions had to be made for excess revenue not paid into the Exchequer, though received in 1884-5; the deduction has been made upon Tobacco and Tea only, as mainly affected by the Excess revenue.

injurious to consumers, competing with home products, and so on, their incidence would not have been so hurtfully oppressive to the poorer classes, nor raised so much hostility in other respects against Customs Duties as sources of revenue.

Based on Table 42 of the Statistical Abstract of 1885 (No. 32) and the Customs Tariff for the year 1884-5, the following table has been framed, showing the percentage of taxation on the average value of certain articles of consumption imported into the United Kingdom.

Percentage of the present taxation on dutiable articles.

The Commissioners of Customs are not able to give a statement of the highest and lowest values of all the dutiable articles, and thus the full significance of the effect of these specific duties cannot be so strikingly illustrated.

PERCENTAGE OF SPECIFIC CUSTOMS DUES ON AVERAGE
DECLARED VALUES OF CERTAIN IMPORTS, 1884-5.

1 Dutiable Articles.	2 Average declared value.	3 Per	4 Rate of Duty.	5 Per- centage of tax on declared value.
	s. d.		s. d.	
Spirits—Rum	1 8½+	Proof gallon	10 4	612·34
„ Brandy	8 11½+	„	10 4	115·08
„ Other Foreign } and Colonial. }	3 7 +	„	10 4	288·37
Wine	7 0 +	„	{ 1 0 } { 2 6 } { 2 9 } { &c. }	14·28 35·71 39·28 &c.
Tobacco—Cigars	10 11½+	{ pound avoirdupois }	5 6	50·19
„ Cavendish or } Negrohead. }	1 0 +	„	4 10	483·83
„ Unmanufactured, &c. }	0 7½+	„	3 6	544·62
Cocoa	0 8½+	„	0 2	24·24
Coffee (whole or ground) ...	0 7 +	„	{ 0 1½ } { 0 2 }	21·43 28·27
Currants	0 2½+	„	0 0½	27·27
Raisins	0 3½+	„	0 1½	21·43
Tea	0 11½+	„	0 6	51·06

The figures for the year 1885-6 exhibit, in most instances,

even more unfavourable percentages of taxation falling on consumers of the cheaper kinds of commodities above named.

The present duties severely affect the poorer classes.

Incomplete as the information supplied is, both as regards highest and lowest prices, and the number of taxed articles of import wherein comparison between value and percentage of duty can be made, yet one feature stands out clearly, namely, that the articles used by the poor are enormously taxed as compared with those used by the rich; for example, common tobacco is taxed, at the very least, ten times as much as cigars, on their respective values. The exact rate of taxation cannot be stated, as the average declared value of ordinary manufactured tobacco is not given in the Statistical Abstract.

In the year 1869 Mr. R. D. Baxter, an eminent statist, estimated its natural value in England as 6d. per lb. in bond.

At the present duty of 4s. 4d. the pound this would give a tax percentage of 866, or more than $8\frac{1}{2}$ times the value of the tobacco used by the poorer classes.

In *Tea* also there are great anomalies in the incidence of the duty. It is a well-known fact that some Teas are placed in the London Docks at less than 6d. per lb., whilst *choice* Teas may command more than 2s. per lb. "in bond"; but the duty on each is the same (6d. per lb.), acting as a tax of 100 per cent. on the *cheap*, and only 25 per cent. on the *choice* tea.

It is easy to understand then what vast sums are inequitably levied from the poorer classes of consumers of articles of general use like these, by the Customs Duties affecting *quantities* instead of *values*.

Indirect cost of this system of taxation.

The duty on many of these articles of import being payable at so early a stage in the process of exchange and distribution, obliges the importer to charge interest calculated upon the time before which he can recoup himself for his advance of the duty, and the same obligation is imposed on each trader or agent concerned in the distribution of the taxed article till it reaches the ultimate consumers of it, for all of which charges, and for a further additional charge to cover all risks and losses, the consumers have to pay in the enhanced price of the article charged to them.

By greater scope being given of late years to the Bonded Warehousing system, under which importers of certain dutiable goods do not pay the duty thereon till the goods first go on

the market, or are sold by the importers,—the first incidence of the tax is certainly deferred, but there is a considerable set-off to this, so far as the general taxpayers are concerned, in the increased cost of book-keeping and other official precautions of various kinds entailed by the system, and not fully recovered in the charges made on the importers for these privileges. In recent Reports the Commissioners of Customs have more than once referred to these expenses as being very considerable.

Some of the duties in the tariff on articles used in manufactures, medicine, chemistry, and the arts, &c., appear very exorbitant, and therefore most impolitic; in other cases the tax-rates are almost prohibitory; for instance, the duty on Sulphuric Ether is 25s. a gallon; on Collodion, 24s.; on Iodide of Ethyl, 13s.; on Chloroform, 3s. a pound; on Soap, in which Spirit has been used, 3d. a pound, &c.

Some examples of excessive tax-rates and their impolicy.

What shackles must these tax-rates impose on many industries! How many possible developments of new industries may they not smother?

The duty of 1s. 6d. an ounce on Silver Plate imported, acts now as a very heavy tax, considering the large and permanent fall in the value of Silver for many years past; but I will notice this matter more particularly when dealing with the Stamp Duties on Gold and Silver Plate, for the rates of Customs Duties must naturally conform to those of the internal Duties on these manufactures.

The Duty on Plate.

In looking over the list of articles taxed by the Customs tariff, the question naturally arises, What is there in the nature of these articles, even those on which comparatively moderate rates of duty are charged, that calls for the surrender of so large a proportion for the use of Government? For instance, the State takes one-fourth of the Cocoa imported, or, what is nearly equivalent, one-fourth of its value. For importing this Cocoa the importers are, as it were, fined; and the consumers of Cocoa, in their turn, are much more heavily fined.

Can the rationale of the Tariff rates be clearly explained.

The excessively heavy taxation of Spirits and Tobacco most urgently suggests reflections as to its *rationale*.

Are these articles insidious poisons? then why not prohibit them entirely? Are they injurious if used in excess? then why tax the moderate users with the abusers? Are they luxuries,

and therefore rightly taxed heavily? then why exempt other luxuries much more easily taxable?

What is a luxury?

But the fact is, as many writers on the subject have shown, it can never be satisfactorily determined what is a luxury, one class or individual treating as a luxury that which another class or individual would deem a prime necessary of life.*

Progressive taxation and its effects.

There is something more tangible in the argument that spirits, wine, beer, and tobacco, when used incautiously or immoderately, produce mental alienation in various forms, recklessness, violence, immorality, &c., creating a necessity for police, prisons, magistrates, and other repressive powers, for the expense of which, and for the loss of wealth in other ways caused by smoking and drinking, these heavy duties are rightly exacted.

Remedy and results to be reasonably anticipated.

But the natural reply to this is, that very much of this mental alienation is the result of adulteration, forced on the Drink and Tobacco trades, or invited by the excessive taxation,† that the misusers should alone suffer in purse and person from their excesses, whereas the temperate suffer also from these heavy exactions upon their needs or enjoyments, and are often poisoned into the bargain by the stuff sold under this oppressive tax system,—that the proper remedy for excesses in these, as in all other forms of intemperance, is, social ostracism, prosecution with fine or imprisonment, and further punishment for the more serious forms of aberration. Wines and other liquors and Tobacco, reasonably taxed, would become purer and cheaper, to the great advantage of the pockets and health of those who know how to enjoy the gifts of Providence without abusing them.

The large surplus income thus set free for the use and enjoyment of the temperate—the large majority, happily—would

* Professor Babbage thus argued: "Where is there any consistent and admitted definition of a luxury? The luxuries of one class constitute the necessities of a class above it. Besides, the desire to possess the luxuries of life and to enjoy them in idleness is the most active principle of industrial excitement. Fortunately for our happiness these habits of energetic employment, which our minds have acquired in the pursuit, indispose us to enjoy that luxurious inactivity to which we had looked forward as the end of our labours," &c.—"*Thoughts on the Principles of Taxation*," by C. Babbage, London, 1848.

† The large increase in insanity of late years has been distinctly attributed by the Hanwell Asylum and other medical authorities to the drugs used in adulterating Spirituous and Malt liquors.

assuredly give a great impetus to industries of other kinds, and even the whilom tippler, finding himself with funds sufficient to carry out some long-desired hobby of a legitimate kind, might be permanently saved from his drinking propensity, and by devoting his surplus income and renewed life to nobler ends might become a more valuable member of society.

Another substantial objection to these heavy Customs Duties is the temptation they offer to smuggling. It has been asserted by revenue officials that on tobacco stalks, surreptitiously imported here from Holland, *a profit as high as 3,800 per cent. may be made.* Members of the crew of the Royal yacht even, it would seem, have been unable to resist such powerful temptation.

Temptations to smuggling offered by high duties.

Great expense is involved in preventing, detecting, prosecuting, and punishing smugglers and smuggling, including expenses to and from and in gaol; likewise there is much loss occasioned to the community by the cessation of the offenders' free labour in legitimate employments during their trial and imprisonment.

In the year 1883 the convictions for smuggling and cognate offences numbered 1423; two years later they were 1849, an increase of almost 30 per cent.; and from the prosecutions constantly appearing in the newspapers this year, the number would seem increasing in a still higher ratio. It may be assumed that undetected frauds are probably multiplying in like proportions.

It is easy to understand that the cost of collecting revenue in this way is very heavy.

Direct cost of collecting the tax.

The Customs Report for 1884-85 shows it to be £4. 9s. 4d. per cent. on the net revenue, but if charges for interest on the estimated value of freehold, copyhold, &c., buildings, land, &c., occupied for revenue purposes, full taxes and rates on such, expenses of revenue cruisers and preventive men, &c., &c., were included, as they fairly should be to institute a true comparison with the cost of other taxes, the cost would be found to be nearer 6 or 7 per cent., if not higher.

But the cost involved in this plan of raising revenue is not to be measured by the *direct* expenses of collection; the *indirect* cost is a very material element in the calculation, such as wages and expenses of clerks, warehousemen, Custom House

Indirect cost.

agents, and the time of numberless people engaged in mercantile, shipping, and other offices, in studying and carrying out the many complicated provisions, regulations, and duties entailed by the system.

The following extraordinary estimate of the cost imposed directly and indirectly on this nation from levying taxes in the form of Customs, Excise, and Stamps, and similar kinds of indirect taxation appeared some years ago in a work entitled "*The People's Blue Book*." *

In the year to 31st March, 1861, the loss was put as £129,944,901, viz. :—

For Demurrages, Drawbacks, Allowances, Hindrances, Frauds, and Negligences, 6 per cent.	£2,569,582
For Extra Profits to Traders for advance of Duties, 25 per cent.	10,706,595
Additional Costs of Prosecutions for smuggling and other breaches of Revenue laws, and expenses of transporting and maintaining those convicted, as estimated for the same year	214,131
Augmentation of Poor Rates, one-third for year 1860.....	2,184,177
Loss and injury to the Trade and Manufactures of the Kingdom, 100 per cent. (estimated for 1861)	65,297,381
Loss and injury to the Landed Property and Houses, estimated at 75 per cent. on the same taxes.....	48,973,035
TOTAL	<u>£129,944,901</u>

Some of the above estimates seem to be based on rather slender foundations, though the writer defends them most trenchantly, and his arguments throughout the chapter devoted to the subject will be found most interesting; but it can scarcely be denied, I suppose, by any one who has carefully examined the matter, that indirect taxes of this kind are a most extravagant and wasteful method of raising revenue.

* 1862 Edition—pp. 80-94. By the present Sir C. Tennant.

A cautious and sober estimate of the cost of collecting Customs Revenue in the United States in the year 1862 was made by Professor Amasa Walker, the distinguished economist; he put it at 50 per cent. above the gross revenue.

The enormous impetus given to trade and commerce by the removal of Customs Duties in past years, and the attendant increase in the values of land and other property of a more permanent character, most assuredly point to marked and distinct advantages gained by the nation from the freedom of trade and commerce with other lands already enjoyed to a certain extent.

The Free Trade question.

So ably and eloquently has the principle of Free Trade been advocated and reasoned upon by numberless Statesmen and Economists from Adam Smith and Lord Lauderdale, on to Buchanan, Cobden, Bright, Amasa Walker, and George Holloway, and then by the more modern exponents of the principle, that it may perhaps be surprising to many that Customs Duties as a source of national revenue have not long since been discarded. The chief difficulty of course lies in finding a substitute for so large a loss of revenue.

The Commissioners of Customs, in their annual reports, show that their officers, besides their ordinary revenue work, are employed in many other ways relating to ships, crews, and cargoes, &c.*

Repeal of Customs Duties would necessitate other administrative changes.

If Customs Dues were abolished, some organisation would obviously be necessary for performing these various duties, many of which are strictly analogous to those under the direction and control of the Marine Department of the Board of Trade. But a still more satisfactory way of providing for the discharge of these and similar duties connected with the mercantile marine and port, harbour, and coast business, might probably be devised, which it would be out of place here to discuss.

The exemptions from Customs Dues are not of importance, but one of them should not pass without notice. The duty on taxable articles—Rum, Tobacco, Tea, &c.—supplied to the Army and Navy in the year 1884 amounted to the sum of £684,024; those services, however, are exempt from such taxation under

Exemptions.

* See Customs Report, 1885—page 15; and the Merchandise Marks Act imposes additional duties on the Customs' Officers.

the Customs Regulations—accordingly they appear, to that extent, less expensive than they really are, and the revenue receipts appear so much less. This, as a matter of strict accountability, surely needs alteration. One of the very soundest principles of taxation, as I understand it, is, that no exemptions are admissible in a rightly organised system. Such exemption is nothing else than a Grant, and the accounts should record it, even though the consent of Parliament was given for the exemption.

Concluding
remarks on
Customs
Duties.

In these concluding remarks on this branch of revenue, it may be noticed with satisfaction that the idea of protection to native industries no longer enters into the scheme of the British tariff, as it does in that of some of the Colonies and in the United States, where, as Professor Thorold Rogers has observed,* the American workman is clipped of 50 per cent. of his wages under the pretence of giving him a variety of employment.

There is too much reason for believing that the "Fair Trade" policy, could it be introduced, would land us in very similar absurd results, and that freedom of trade and freedom of commerce are simply the most effective guarantees and safeguards the people of this land can possibly possess against monopolies and other forms of rapacity and covetousness on the part of individuals, syndicates, or other interested classes in the State.

* "Six Centuries of Work and Wages"—Chap. 20.

INLAND REVENUE.

EXCISE, 1884-5.

ABSTRACT OF THE EXCISE DUTIES AND NET REVENUE THEREFROM.

Articles taxed.	Rates of Duty.	Net Duty surrendered to the Exchequer
Spirits manufactured	{ 10s. per gallon of proof spirit containing 57 per cent. of alcohol }	{ £13,987,472
Beer manufactured	{ 1½d. and ⅝ths per gallon of ordinary Beer, Wort at 1057 ² including loss in making; proportional rates for higher strengths ... }	{ 8,544,749
Fermented Liquors (as above)	... ..	£22,532,221
Chicory ...	1½d. and ⅝ths per lb.	£2,256
Coffee Mixture, &c., labels (1d. and ½d. labels)	... ..	4,571
Groceries (as above)	... ..	6,827
Net Duties paid into Exchequer	... ..	£22,539,048

This baleful tax originated from the difficulties encountered by the statesmen of the Long Parliament in raising money for the Public Service, owing to the hostile attitude maintained by the nobles and landed gentry; and was levied under an Act of Cromwell's Parliament (1656) confirming an Act (24 Feb., 1646) of the Long Parliament, *as a substitute for the revenue from the Court of Wards*, the nearest modern equivalent to which is the revenue derived from the Probate, Legacy, and Succession Duties. It was nothing less than a transfer of taxation from property, chiefly landed property, to the personal expenditure of all subjects upon the excised articles. Its origin.

The objections to this tax, though much resembling those brought against the Customs Duties, are of a character more certain to provoke British susceptibilities owing to the extremely inquisitorial proceedings found needful to guard the revenue from losses in one form or another. The surveillance, confined mainly to shore and waterside premises and shipping, This tax of a most inquisitorial character.

in the case of the *Customs* revenue, is, for the due security of the *Excise* revenue from loss, carried out with the most minute detail and circumstance in reference to place, time, processes, materials, utensils and machinery, manufacturers and their *employés*, and so forth; and this interference and inquisition is extended to the remotest corners of the United Kingdom, including fields, cottages, and lonely moorside hovels. Distilleries, breweries, still-rooms, and cellars are invaded, and even the privacy of homes forms no barrier to the inquests of the Excise officials in their efforts to detect illegal or fraudulent practices injurious to this revenue. Fortunately this form of tax is almost entirely restricted to the manufacture of fermented liquors, though it has latterly been embracing more firmly in its coils the aerated drinks, and the Home Wines, or "*Sweets*," trades and factories, a late legal decision having shown that liquors containing 2 per cent. of proof spirit are subject to the duty. Why these particular beverages are thus singled out, in preference to others, upon which to bring to bear the fell influences of this tax, it is impossible to discover; but it may be safely affirmed that if such a system of taxation were applied to almost any other industry, the annihilation or crippling of that industry would only be a question of time.

Adulteration
the result of
heavy Excise
Duties.

One undoubted effect of the tax is, *that excised liquors are most extensively adulterated*, and adulterated not only by drugs, but by the addition of weaker elements, including *water*.*

The drunkenness, crime, insanity, and suicide, now so prevalent in this country, are in the belief of many very largely attributable to the impure liquors and coarse crude spirits and tobaccos which this excessive taxation (by Customs and Excise) has substituted for the purer and more genuine commodities of earlier times.

The Drink
question.

In relation to this view it has often been remarked how little inebriety was to be seen in the wine-producing districts abroad, where temperance was not enforced, but the wines drunk were pure and wholesome. Since the simplification of the Beer Duty, which acted, as Mr. Gladstone once argued, as a *reduction of duty*, there has been some marked *decrease in drunkenness and crime* observable. The concurrent *decrease in the actual*

* By the latest Inland Revenue Report (1887) it would appear that *Beer* is only adulterated by sugar and water now.

consumption of spirits, also recorded by the Revenue Returns, will prove probably that there is an intimate relation of cause and effect between these three economic facts.

"The People's Blue Book"—to which I have before referred—devotes thirty-nine pages * to the question of freeing alcoholic liquors from the heavy taxation to which they are subjected, a policy trenchantly advocated by its author with much detailed argument.

This question cannot here be discussed at length, space not permitting ; but the following quotation from an article on the subject of taxing spirits, written by *the Rev. Sydney Smith* in his usual vigorous, lively strain, combining strong common-sense with pleasant raillery, may be reproduced perhaps with advantage * :—

"There has been in all Governments a great deal of absurd canting about the consumption of spirits. We believe that the best plan is to let the people drink what they like and wear what they like ; to make no sumptuary laws either for the belly or the back. In the first place, laws against rum and rum and water are made by men who can change a wet coat for a dry one whenever they choose, and who do not often work up to their knees in mud and water ; and in the next place, if this stimulus did all the mischief it is thought to do by the wise men of claret, its cheapness and plenty would rather lessen than increase the avidity with which it is at present sought for."

Most thoroughly does this last opinion seem in harmony with good sense and experience in like matters of expensive habits. Remove the tax, and "treating" would first become uncus-tomary and unfashionable from its commonplace expense, and then come to be regarded as vulgar, absurd, and undignified.

Meetings for the main purpose of drinking would follow the same course, and die out before long. Certain it is that taxation does not stop drunkenness.

Regarding the subject from another point of view, does it seem a fitting thing that the correctness of a Chancellor of the Exchequer's Estimates of Revenue should have to depend

* Pages 448 to 526.

* *Vide "Edinburgh Review"* for 1819, and quoted in "*The People's Blue Book*," just referred to.

so largely on the nation's consuming a certain vast quantity of alcoholic liquors?

The opinion of Mr. Hamer Stansfeld, a gentleman who in former years gave much attention to this "*Drink question*," may briefly be quoted with advantage.*

"My own experience of the effect of cheap spirits in countries which I visited is, that where trade is most restricted, where the powers of men have the least liberty to develop themselves, where man is most oppressed, as in Russia, where a soldier's education is not complete till he is sick of life, there the vice is aggravated; but in the United States, where an opposite state of things prevails, there is comparatively little intoxication, although spirits are supplied as freely as water." These lines were written in 1859, long before the War of Separation, and the introduction of heavy Customs Duties and other impositions on the States of the American Union.

As Sir C. Tennant has well argued, "*If cheapness promotes drunkenness, the classes possessing the highest purchasing power should therefore produce the most drunkards*"; but this we know is not the case in these days.

EVASIONS OF THE EXCISE LAWS.

Evasions of
the Excise
Laws.

Systematic
evasion of the
Duty in
Ireland.

The increase in illicit distillation detections in 1884-5, over and beyond those for 1883-4, was 6·86 per cent.

In Ireland 829 detections occurred out of a total of 856 in the United Kingdom, or nearly 97 per cent.; and for years this high ratio has been maintained. The latest return of detections shows 1,186 in Ireland and only 26 in Great Britain. The undetected frauds must also be in like proportion probably.

These figures indicate a systematic evasion of the Excise Laws in the sister isle, with a corresponding—not to say a much larger—evasion of taxation.

But till recent years, when rents have been so generally withheld in obedience to illegal orders, it was notorious that there was less drunkenness and crimes dependent on it, in Ireland, than in Scotland or England. This speaks volumes for the purity of the untaxed whisky of Ireland, but there is

* "*Outlines of Direct Taxation*" (for superseding Customs and Excise Duties, &c.), by H. Stansfeld, London, 1859. 8vo.

a limit even to the drinking of *pure* whisky with impunity. There is a marked increase in the consumption of spirits in Ireland in 1886-7 over that in the year 1885-6 to the extent of 210,616 gallons; whereas in Great Britain there was a decrease of 591,722 gallons, a difference of 802,338 gallons in the relative consumption of the previous year of the two islands.*

A general acquaintance with the more important regulations of the Excise, and a study of the Inland Revenue Reports on this branch of taxation, showing how many precautions are necessary to check frauds of various kinds on this particular revenue, will perhaps convince most unprejudiced minds of the folly, wastefulness, and impolicy of raising a revenue by such methods.

Two of the most elementary laws of taxation are distinctly violated by the Excise system:—Firstly, the tax is most inequitable in its incidence; secondly, it takes very much more from the taxpayers and the people in general than it brings into the National Exchequer.

The inequity and costliness of this tax.

First, as to its inequity. This can best be illustrated in the taxation of spirits.

The inequity of the Excise system.

The London market quotations of the undernamed raw spirits in November, 1886, were as follows:—

London Grain Spirit	@ 1s. 11d.	} Per proof gallon in bond.
Scotch Malt Whisky	„ 2s. 6d.	
Irish (Cork) Whisky	„ 3s. 2d.	

Each of the above spirits is subject to a duty of 10s. per proof gallon, and the percentage of taxation on their respective values is 522, nearly 400, and nearly 316. Contrast these percentages with that on high-class Scotch or Irish Whiskies at 18s. per *proof* gallon in *Bond*, such as are drunk in course of time by the richer classes. The duty of 10s. thereon is equivalent to a tax of only 55½ per cent.

The excessive taxation of the spirits drunk by the poorer classes is thus made clearly apparent.

As regards Beer, the taxation, so far as the Revenue Laws Beer. are concerned, does not favour one class more than another to

* See Inland Revenue Report (1887)—p. 5.

any large extent; but great opportunity is offered to the publicans and beer vendors to adulterate their liquors, and by so doing to make the duty really very heavy on the value of the article sold to the consumer; and the poorer classes are much more victimised in this way than the rich. But the authorities are looking well after the interests of the people in this respect now, and prosecutions of publicans for offences of this kind have been for some time matters of daily occurrence.

The Excise Duty on ordinary strong sound beers is all but 2d. per gallon, which may be reckoned as about 20 per cent. on its prime cost, allowing, however, a very liberal estimate for the latter. Taken generally, the average tax on Beer of all strengths is considered to amount to nearly 25 per cent. on its prime cost, which, without reckoning the chances of adulteration so easy in an article like this, amounts to a very large tax on a beverage of such general consumption.

Tobacco.

The growth of Tobacco recently introduced experimentally in this country has already opened up a new field for Excise surveillance and vigilance, though we may suppose the revenue returns from this industry can hardly pay for the departmental cost in various ways. In the year 1886-7 £14 was the net receipt.

The sale of overdamped Tobacco to increase its weight, and other practices *equivalent to adulteration*, are also now occupying more than hitherto the energies of the Excise Officials, necessitating further domiciliary inquisitions with their attendant friction and annoyance.

Groceries.

The Excise on groceries is so limited in extent, affecting only Chicory and articles used as substitutes for Coffee and Chicory, that it merely requires notice on account of the trouble occasioned to producers of, and traders in, these commodities from interference in their occupations.

In 1884-5 1,650,557 penny and halfpenny Excise Duty labels were sold for attachment to packets of substitutes for Coffee and Chicory and mixtures thereof, the revenue from which was about £4,570; but the due prevention of adulteration could surely be compassed without this tax and its attendant machinery of labels, &c., by placing the matter under local jurisdiction, when the usual measures for preventing and

punishing other forms of adulteration could be duly applied and enforced.

From the stagnation visible in the annual receipts from these two branches of revenue for some years past, there would seem grounds for believing that the duties are prejudicially affecting the trade in these groceries, or, that the taxes are in some way being evaded, though the Excise Authorities do not think the latter to be the case. The revenue in 1886-7 was £5,273 only; five years previously it was £8,088.

The cost entailed in raising the Excise revenue must be enormous, but it cannot be distinctly ascertained, being blended in the official accounts with the expense of collecting the License and Stamp Duties (which involve much less labour, the economic Post Office system being employed to a large extent), and with the three direct taxes—the Land Tax, Inhabited House Duty, and Income Tax; these five taxes, taken together, can hardly cost $1\frac{1}{2}$ per cent. to collect.*

The Excise system a costly mode of taxation.

Taking that rate for those taxes, and the sum of £1,883,004 shown as the cost of raising the entire net Inland Revenue for 1884-5, the cost of collecting the net Excise would appear to be £6. 6s. 3d. per cent., without reckoning interest on the value of freehold, copyhold, &c., premises occupied for Excise purposes, and other charges not taken account of in the departmental calculations.†

The indirect cost to the public of this system must also be considered, but the subject has already been dealt with at some length in the analogous case of the Customs Duties, and therefore is unnecessary to discuss further here.

The incidence of this tax operates in much the same way as Customs Duties do in regard to Fermented Liquors, the excessive taxation affecting the moderate as well as the drunkards and tipplers, whilst those who can do without these particular beverages are able to escape the general incidence of the taxation borne by the rest of the community, though

Unequal incidence of Excise duties.

* The Income Tax must cost much less than $1\frac{1}{2}$ per cent. to collect, especially when the tax rate is high, for at such times the authorities find it necessary to reduce the rate of poundage given to certain collectors under Schedules D and E, as the remuneration would otherwise be excessive, the collection of the larger revenue costing them no more trouble or time.

† See 28th Report of Inland Revenue Commissioners, Appendix C—pages 139-141.

sharing equally with the latter all the advantages arising from the various Imperial institutions for protecting property and for good government in other respects.

Exemptions.

Exemptions seem to have little place in the Excise system, and I do not find that the Public Services derive any special advantages in this respect as they do under the regulations of the Customs Department.

THE LICENSE DUTIES.

Licenses may be regarded in two ways :—

Firstly, as sources of revenue, or collateral means for securing revenue. License Duties regarded as Revenue and as Local Government aids.

Secondly, as checks or powers of control requisite for maintaining order, safety, justice, health, and other objects of good government.

In dealing with these duties as sources of revenue, the obvious conclusion to which I have been led is, that in almost every instance they are to be regarded in the latter sense, and that, as matters properly for *Local Government*, they might with advantage be transferred to the management of Local Bodies when the latter are properly organised, and placed in a position to undertake such additional duties and responsibilities.

For better analysis of these particular taxes, I have found it convenient to group them together in classes, so as to deal at one time with all of an analogous kind ; and I will first take the Licenses for trading in and manufacturing *Fermented Liquors*, of which Licenses 230,000 were issued in 1884-5, to probably 180,000 individuals. Rearrangement of these licenses in groups according to their nature.

LICENSE DUTIES ON (TRADERS IN AND MAKERS OF) FERMENTED LIQUORS, 1884-5.

Traders and } Licensed.	Rates of Duty for Annual License.	Net Duty surrendered to the Exchequer.
Dealers and Retailers — Wines, } Sweets (No. 15,055) }	17s. 10d. to £10. 10s. each	£68,934
Traders in Wine, Beer, Cider, &c. } (No. 76,929) }	25s. 0d. to £4. 4s. ,,	187,369
Brewers of Beer (101,186 in No.)	20s.0d., 9s.0d., 6s.0d. ,,	40,960
Publicans, including Grocers in } Scotland & Ireland (No.96,478) } to £60 each }	At 57 rates from £3. 4s. 3d.	1,478,772
Spirit Dealers (No. 9,057)	£10. 10s. ,,	119,960
Distillers and Rectifiers (No. 353)	£10. 10s. ,,	4,202
Refreshment Houses (No. 7,853).	21s. 0d. and 10s. 6d. each .	6,715
Net Fermented Liquor License Duties paid into the } Exchequer }		£1,906,912

NOTE.—An exact analysis of the first incidence of these Duties on each of the three principal beverages, classed as *Spirits*, *Wine*, and *Beer*, cannot be given, as the trades are often united, and joint licenses taken out, but the proportion is roughly as follows :—*Spirits*, £1,698,467 ; *Wines*, £285,339 ; *Beer*, £223,115.

Final incidence of these Duties falls on consumers.

These Duties, of course, form an addition to the taxation of consumers of Fermented Liquors, for they enter as part cost of the several businesses on which they first fall, to be recovered with interest and other profit, in the prices charged to buyers and consumers.

The Duty is graduated in a way to bear most on smaller houses.

The License Duty as charged to publicans acts very much like an additional *house-tax*, affecting, however, houses below the value of £20 (exempted under the Inhabited House Duty), but it is graduated in such a way as to tax public-houses of the smaller values with a higher rate of percentage than the larger establishments ; for instance, a public-house under £10 annual value pays £4. 10s., whilst a house of over £700 annual value pays £60 only, not £315 as might be supposed, the natural proportional rate.

Taxation of Fermented Liquors nearly £80,000,000.

These heavy Customs, Excise, and License Duties together operate as a *direct* tax of about £30,000,000 on the prime cost of Fermented Liquors, and it may well be asked, why should stock-in-trade in *these particular forms* be so severely burdened with taxation whilst that in a thousand other shapes escapes all such imposts, though often the subject of special State or Local control and of distinct legislation by Parliament ? The *Manufacture and Storage of Explosives*, the *Storage of Petroleum, &c.*, the *Sale of Poisons*, are some examples of the kind where special vigilance and control on the part of the Imperial or Local Authorities is demanded, and duly accorded, in pursuance of Acts of Parliament, Orders in Council, &c.

Exemption of most other kinds of *Stock-in-trade* usually so called.

Effects of this heavy taxation.

One of the evil results of the heavy taxation of this particular class of beverages is to create great monopolies in trade, and accordingly we find that though there are about 180,000 holders of licenses for these businesses, a very large proportion of them are merely tenants and agents of certain large firms, which advance in the first case the heavy duties claimed by the revenue officers, and allow long credit to their various agents, being amply secured by covenants in the leases of their freehold public-houses, hotels, and other places for sale of liquors.

The recent conversion of some of the large brewery concerns into joint-stock companies has thrown some light upon the enormous capital engaged in this industry, and it is not at all obvious that the properties thus distributed in shares are any more valuable now than they were before their conversion, even

though members of the late firms appear on the boards of management and hold a greater or less proportion of the converted property in the shape of shares.

Perhaps the increased number of persons now interested in defending this class of property from injurious legislation and the assaults of Sir Wilfrid Lawson and Company may be deemed an advantage, and that this conversion from private to public ownership is a far-sighted and judicious policy in other respects on the part of the great brewers. It would seem desirable for these licenses to be placed in course of time in the hands of Local Government Bodies, especially licenses for opening new public-houses. The proposed law of "Local Option," as at present described in any detail, would seem to involve much injustice to owners, &c., of public-houses, and it can hardly be right that a local majority should have unrestricted power conferred upon it to govern the minority as regards its purchases of fermented liquors without some power of appeal being given to the latter. Repressive laws of the kind tend to drive the disease inwards and hatch new centres of drunkenness. The matter demands consideration and decision at the hands of a much wider court of opinion.

The imposition of taxes for licenses of this kind certainly seems more fitted to the nature of a Local than of an Imperial Governing Body, and the rates of duty would seem to need some revision.

The next group of License Duties falling upon manufacturers of and traders in goods is the following :—

LICENSE DUTIES ON TRADERS IN AND MAKERS OF OTHER COMMODITIES, 1884-5.				Licenses and Duties on Traders in and Makers of other Commo- dities.
Traders and Manufacturers	} Licensed.	Rates of Duty for Annual License.	Net Duty surrendered to the Exchequer.	
Tobacco Dealers (No. 305,106) and Manufacturers (No. 576)	}	At 7 rates, from £31. 10s.	} £85,602	
		... to 5s. 3d. each ...		
Patent Medicine Vendors, Great Britain (No. 20,012)		5s. each	5,000	
Game Dealers, U. K. (No. 3,342)		£2 each	6,684	
Gold and Silver Plate Dealers, U. K. (No. 14,851), and £2. 6s. each	}	£5. 15s.	} 48,242	
			
Pawnbrokers, Great Britain, and (very partially) Ireland (No. 4,712), £7. 10s. each	}	...	} 35,332	
			
Carried forward.....			£180,860	
				D

D

Traders and Manufacturers } Licensed.	Rates of Duty for Annual License.	Net Duty surrendered to the Exchequer.
<i>Brought forward</i> ...		£180,860
Auctioneers and Appraisers, U. K. (No. 11,883), two rates, } £10 and £2 each	80,518
Hawkers and Pedlars, U. K. (No. 6,932), at varying rates, £8, } £6. 6s., £4. 4s., £4, &c., each	27,372
Makers of Methylated Spirits (No. 16), £10. 10s.; Vinegar } (No. 64), £5. 5s. each; Makers of Playing Cards (No. 19), } £1 each; Dealers in Methylated Spirits (No. 7,702), 10s.; } Private Stills (No. 878), at £10 each	8,745
Net Duties on Licenses to other Makers and Traders } in Goods paid into Exchequer ...		£297,495

Injustice and
impolicy of
these heavy
taxes.

It is impossible to see the justice or policy of taxing some of these industries so heavily, the occupations being quite as legitimate and useful to the community as many others untaxed. If a record of these traders, &c., is needful for revenue or police purposes, that object could be attained more easily by a moderate fee enough to defray the cost of registration; all beyond this acts purely as a tax on labour and industry when not shiftable on customers or employers.

What cost it must involve to get the paltry sum of £5,000 from the 20,012 vendors of Patent Medicines, and £6,684 from the 3342 Game Dealers! There is also the anomaly that most of these license duties are not levied at all, or only to a very partial extent, *in Ireland*, such exemption being very insufficiently explained by the fact that *some* of these licenses are levied by Local Bodies there, at lower rates however. The revenue from taxing pawnbrokers there must be very small, and, moreover, the business can be carried on without the necessity of a magistrate's certificate required in Great Britain as a collateral check upon evasions of the Duty. The licenses imposed on such Hawkiers as employ one or more horses, take the shape of a *special tax on locomotion*, and those on Hawkiers' servants, of a special tax of £2. 2s., instead of 15s. for each servant employed.

Some of these Duties seem to be levied with a view to keeping a further check on the payment of the proper Duties on the goods dealt with by the Licensees, and were those Duties repealed, there would be no *raison d'être* for the collateral License Duties. All the above Licenses could more

fitly be issued by Local Bodies than by the Imperial Government.

The next group of License Duties affects certain forms of property connected with personal locomotion.

**LICENSE DUTIES ON (CERTAIN FORMS OF) PROPERTY APPLIED
TO PERSONAL LOCOMOTION.**

Property taxed.	Rate of Duty.	Net Duty surrendered to the Exchequer.	Licenses and Duties on some forms of property applied to Personal Locomotion.
Carriages	Four-wheelers, weight 4 cwt. upwards, £2. 2s. each per annum; four-wheelers under 4 cwt., and for less wheels, 15s. each per annum (No. 455,660) <i>Gross Duty</i> £534,862 (No. 16,917) <i>do.</i> 12,544	£546,045	
Hackney Carriages	At 15s. each per annum		
<p><i>NOTE.</i>—In both of these Duties, payment of half the annual rates is allowed for licenses for the last quarter of the year, which ends 31st December, the Duty being for such term accordingly:— <i>Heavy Carriages</i> £1. 1s.; <i>Light Carriages</i>, 7s. 6d.; <i>Hackney Carriages</i>, 7s. 6d. each. All vehicles moved by mechanical power on roads, trams, or rails (except Railways), are subject to <i>Carriage Duty</i>.</p>			
Railway Share- holders' Property	Railway Passenger Duty, a tax of 2 per cent. on usual fares above the rate of 1d. a mile in the same urban district, 5 per cent. in other cases. Fares under 1d. a mile exempt	392,398	
Net License Duties on Personal Locomotion paid into the Exchequer			£938,448

As regards the *tax on Carriages*, the Institute of British Carriage Makers showed a few years ago, among their twenty-seven other arguments against this tax, that besides injuriously affecting *owners* and *hirers* of carriages, and themselves as *manufacturers*, it operates in a hurtful manner in respect of the employment and pay of some 26,250 workmen in the trade. Other objections urged by the trade, especially one, that it affects 116 associated trades injuriously, seem worthy of attention, though it would occupy too much space for me to reproduce them in a rapid sketch like this; but I may notice that Mr. Philipson, Chairman of the North of England Association for the Carriage Duty Repeal, states that 50,000 workmen are in some way affected by this tax.

The stock argument, *that Carriages are rightly taxed as luxuries*, is at once met by the reply that no such principle is consistently applied in our taxation; and again, who can decide what a luxury really is? In the employment of carriages

necessity is generally a large factor, and how can the line be drawn between what is a *necessary* and what is a *luxury*.

The tax on *Racehorses*—an undoubted luxury, one would suppose, that only very rich folk can indulge in—was repealed some years ago, and this example alone is sufficient to dispose of the "*luxury*" argument.

There seems more reality in the contention that carts, carriages of all sorts, (and horses), cause wear and tear of the roads, and should therefore be taxed to meet the expense of such wear and tear.

This leads on to the consideration that the heavier the vehicle the larger the wear and tear, and therefore the larger should be the tax.

This principle is indeed applied, though imperfectly, in the rates charged on carriages. Though this reasoning is not quite satisfactory, inasmuch as *frequency of use over the roads* is also an important factor in the question, there is one conclusion which may safely be arrived at, namely, that these licenses, and the proper rates of duties chargeable for them, are matters more fitly arranged and managed in each locality by the Local Governing Body.

In its true incidence this tax will be found to affect property in this particular form in a special manner in the numerous cases where it cannot be shifted on others.

The incidence of this tax falls primarily on property, but is recoverable from hirers in the fares charged. It is even more obviously than the Carriage Tax better adapted for local administration, and the funds raised by the issue of these licenses would more than defray the cost occasioned to the local bodies to whom they might be transferred. Much work in connection with such licenses is already discharged by magistrates and the police.

Hackney
Carriage
Duties.

Railway
Passenger
Duty.

As regards the *Railway Passenger Duty*, it has often been remarked that the companies would much prefer paying an additional Income Tax, equivalent to the sum raised by the Passenger Duty, than have their business and traffic arrangements interfered with by the troublesome requirements of the Revenue Department. The injustice of the tax, even as now assessed, is very apparent, when it is considered that steam-

boat companies and persons travelling on horseback do not suffer from a special tax like this, the former only paying Income Tax on their net profits. The Railway Companies have in many instances shifted the tax from the shareholders to the general travelling public. Looking to the revenue realised by the Exchequer, it seems quite disproportioned to the annoyance and cost occasioned to the companies, the Revenue Office, and the public.

Viewing these three taxes together, it seems surely an anomaly and an injustice that Her Majesty's lieges, travelling by the particular forms of conveyance thus licensed, should be indirectly taxed through these duties, whilst those travelling by steamboats, horses, &c., are exempt, with one exception, namely, hawkers, who in Great Britain pay £4 for each horse they use, and in Ireland £4. 4s. for the first horse and £2. 2s. each for others.*

Inequity of partial taxes on personal transit.

The wide and general exemption thus established in favour of certain forms of personal locomotion is further supplemented by special exemptions from these three forms of specific taxation.

Exemptions.

Ireland is exempt from all these taxes on personal transit, excepting (as already noticed) that a License Duty is charged, as in Great Britain, on horses used by hawkers in their trade, though other traders in the United Kingdom pay no tax on their horses.

By this exemption Ireland benefits to the extent of somewhere near £100,000 a year, as far as an estimate can be formed.

The exemption of vehicles used in trades and businesses of most kinds is rather an anomaly, seeing that they are employed not for disinterested or benevolent motives, as might be presumed from this exemption, but for the purpose of securing profits, though not perhaps in quite so direct a way as in the case of Railway, Omnibus, Stage-coach, Cab, and other carriers.

The exemption from Duty of third-class and certain other low rates of fare by railways does not seem based on any intelligible economic principle. If it is impolitic to tax a work-

* These Horse Duties are included in the item of £27,372 for Hawklers' and Pedlars' Licenses shown in the previous group of *Traders' Duties*.

man travelling to and fro, it is surely just as impolitic to tax a tradesman, a governess, a lawyer, or other person travelling on their respective callings.

The last group of License Duties may be termed those on *Establishments*, though not quite identical with those technically so named by the Revenue authorities.

LICENSE DUTIES ON ESTABLISHMENTS, 1884-5.

Licenses and
Duties on
"Establish-
ments."

Persons Licensed.	Rates of Duty.	Net Duties surrendered to the Exchequer.
Owners of Dogs, Great Britain (911,124 Licenses), 7s. 6d. each		£341,680
Persons to shoot Game U.K., including Gamekeepers (61,465 Licenses, including 6,141 to Gamekeepers)	£3, £2, and £1 each, according to period for which License is issued	£180,039
Persons to use Guns U. K. (167,534 Licenses)	10s. each (Persons holding Game Shooting Licenses exempt.)	81,986
Persons using Armorial Bearings Great Britain (56,420 Licenses)	At two rates, viz., £2. 2s. and £1. 1s.	77,053
Employers of Male Servants Great Britain (185,395 Licenses)	At 15s. each servant	138,956
Net License Duties on "Establishments" paid into the Exchequer		<u>£819,714</u>

The Dog Tax. The "Dog Tax" has no reference to the value of the animal taxed; 7s. 6d. has to be paid for the cur not saleable at any price, as for the prize hound valued at £300 by its owner.

Shepherds' and farmers' dogs, not exceeding eight in number, and blind men's dogs, are exempt; 256,996 of such dogs were thus exempted in Great Britain in the year 1884. Thousands of dogs are employed as necessary safeguards for mills, shops, houses, and cottages, and, as such, their owners would seem equally entitled to exemption if usefulness were the criterion.

The Duty falls very severely on the poor man as compared with his rich neighbour, indeed it is often quite prohibitive in the former case.

In its nature it seems better suited for a local tax, the magistrates and police being brought into frequent contact with these licenses and other kindred matters connected with dogs and dog laws.

The Duty might with advantage be reduced to a simple registration fee more in proportion to the cost of administration,

as in Ireland, where it is a local tax of 2s. only for each dog, such revenue being administered by the Local Authorities. By this arrangement Ireland escapes imperial taxation on this account to the net amount of £90,000 per annum.*

The Licenses for *Shooting* and for *Using Guns* might with advantage, it seems, be merged together as *Licenses for using Firearms*, and be placed under local jurisdiction, having power to grant licenses for one year, or for shorter terms, and to fix within certain limits the rates of such Duties payable to the local revenue.

Shooting and
Gun Licenses.

The tax on *Armorial Bearings* seems quite an anomaly now, for a *Trade Mark* is really not different in its nature, but the latter, I believe, pays only a small registration fee, though used for securing rightful profits, and usually by well-to-do manufacturers and traders.

Duties on
Armorial
Bearings.

Ireland is exempt from this tax, and must escape thereby imperial taxation to the extent of some thousands of pounds annually.

Municipal and other Corporations, Public Companies, and members and officers of Licensed Clubs, are exempt, though using such insignia, also Hackney Carriage owners for Arms on their vehicles used in the form of Trade Marks.

The License Duties imposed on *Employers of Male Servants* give rise to many disputes. The Revenue Act includes all *out* and *indoor* servants residing on a master's premises.

Taxation of
Employers of
Male Ser-
vants.

Ireland is again wholly exempt from this tax.

There are also exemptions for official servants of Sheriffs and Mayors.

Services for part of a day are also exempted, under which clause, hackney carriage drivers and horse tenders escape the tax.

The leading principle embodied in this tax seems to be, *State interference between employers and employed in respect of male labour*.

Unquestionably the Duty acts as a tax on labour, though levied directly on the employer, for, in the long run, the employer would give so much less as wages, and rightly considers the wages and the tax as paid for one and the same

* In the year 1883 Irish Local Dog Licenses brought in a revenue of £32,508 only.

service. The extra sum payable as tax may often just decide the question of employing female labour for some particular duty more suitable for male labour, for it is not the tax only, but the attendant loss of time, &c., involved about the tax, that the busy man considers.

The tax will scarcely be defended on the ground that it is the business of the State to interfere in respect of the suitability of employments for males or females. Adam Smith considered this tax fell with peculiar severity on the *middle classes*.*

From the small revenue derived from a tax so widely applicable in its incidence as this, levied as it is on *out* and *indoor* servants residing on a master's premises, it may be safely concluded that there is much evasion going on.

Prosecutions for non-payment of this Duty frequently occur, and much hardship to employers seems involved at times in some of the legal decisions.

There is much misapprehension as to the liability or not of employers, and the penalty for non-payment is also very heavy. These circumstances alone may prejudicially affect the interests of labour, as the possible chance of revenue prosecutions may deter would-be employers from engaging men for short periods and odd jobs. This would operate with more than ordinary ill effects in times of depression in the labour market, when the impolicy of this tax is more clearly seen.

The penalties exacted for the non-payment of License Duties are mostly speaking extremely severe, ranging up to £500 in some instances, but from one cause or another evasions of the kind are frequent, to judge from the prosecutions appearing in the daily Press. The espionage needful in order to protect the revenue is most offensive too to Englishmen.

The rates of duty seem to need regulation with regard to the amount of business carried on. This does not seem to be sufficiently observed in many of the businesses and occupations affected.

Mr. T. E. Cliffe-Leslie, referring to this inequitable taxation in one of his works,* says: "If every trader or worker thus specially taxed did the same amount of business and gained

License
Duties generally.—Heavy
Penalties.

Inequality of
the tax incidence.

* "Wealth of Nations"—1811 Edition—p. 309.

equal profits from it, the tax would be to that extent fair ; but the results from trading range from excessive gain to absolute losses in each trade and occupation."

The rate of the liquor licenses to a large extent follows the rental of the houses and the amount of business done, but this principle is scarcely observed at all in the rate of the other licenses.

Licenses being payable at the commencement of the year in which they run, it often happens that from death or other causes a license becomes useless for a large part of the year. No return of the Duty is allowed in such cases, and the tax becomes unequal to that extent. A like cause of inequality exists in respect of some of the Stamp Duties, which are levied in much the same way as Licenses.

In the year 1884-5 a further sum of £98,388 was paid into the Exchequer for "*Excise and Licenses*," but was not included in the detailed classification of revenues by the Authorities, not being net revenue for that year. It probably represents Spirit Duties entirely.

That sum added to the preceding amount makes up the total of £26,600,000 received by the Exchequer.

* "*Essays on Financial Reform*" ("*Cobden Club Essays*")—2nd Series, 1871-2.

THE STAMP DUTIES.

(*Excluding Fee Stamps.*)

Many of these Duties are quite analogous to License Duties, the only difference being that they are paid through the medium of stamps impressed or affixed on *documents*, which, in some cases originate in the Stamp Offices, central or local.

The most important group of these Duties—known under the generic term of "*The Death Duties*"—first demands notice.

The Death
Duties.

NET PROBATE AND INVENTORY, ACCOUNT, LEGACY AND SUCCESSION DUTIES—1884-5.

Confiscated from Beneficiaries from Deceased Relatives, &c., by		Rates of Duty.	Net Stamp Duties surrendered to Exchequer.
Probate and Inventory Duty	{	At four rates, according to the Estate value	£3,947,094
Account Duty	Do.	do.	31,492
Legacy Duty	{	Ad valorem, and at five rates, from 1 to 10 per cent., ac- cording to the remoteness or otherwise of the relationship of the beneficiary to the de- ceased	2,811,534
Succession Duty	{	Ad valorem, and at 5 rates as above	930,075
Net Death Duties paid into the Exchequer *			<u>£7,720,195</u>

It is of course impossible to go into any detail as to the rates of tax imposed by these duties on the recipients of such

* According to the Statistical Abstract—No. 34—p. 32, the total estate passing by disposition and devolution in 1884-5 was £183,128,000. The above payment of Duties (£7,720,195) would show an average tax rate of £4. 4s. 4d. per cent.

Estates to the amount of £136,222,000 paid £3,978,586 in Probate and Account Duty, at an average rate of £2. 2s. 6d. per cent. (For 1888-9 the rate is estimated at 3 per cent.)

Real Property Successions to the value of £46,906,000 paid duty at the rate of £1. 19s. 8d. per cent.

According to the Inland Revenue Report—No. 29.—Appendix, page 15, the value of Legacies paying duty for 1884-5 was £84,853,817, and the duty thereon was £2,825,442, giving a tax rate of £3. 6s. 7d. per cent.

property, but of Legacy Duty about one-ninth comes under the one per cent. rate—of Succession Duty, above one-third.

The *amount of the property* determines the rate to a certain extent, but the *remoteness of the consanguinity of the beneficiary to the deceased* increases the rate in a much larger measure ; for instance, those most remotely connected pay ten times as much Legacy Duty as sons or daughters do, whilst wives or husbands of deceased benefactors pay no Legacy Duty at all on bequests.

But the amount of revenue received by the Tax Office from these duties only faintly represents the real cost to the taxpayers and the nation arising from this form of impost.

In the whole range of the varied methods of taxation afflicting the British nation, there does not seem any class of tax which combines so many objectionable features, both of principle and practice, as this particular one. These taxes are in a high degree inequitable ; they are most uncertain in their amount and incidence viewed from the taxpayer's standpoint, experienced lawyers often being unable to guess at the probable amount of duty payable on certain devolutions by death ; they frequently become payable at a time when there is great distress and anxiety in a family, occasioned by the death of the head and support of the household, and the extraordinary expenses attendant thereon, so that, often, the tax has to be paid by the solicitor or executor as an advance on credit. They must be expensive to collect if the relative expenses of the Revenue Solicitors' time, of the long course of official book-keeping and correspondence, and other duties involved, be taken into account. They involve in most cases to the taxpayers an expense in costs, lawyers' fees, &c., out of all proportion to the sum realised by the beneficiaries, thus acting as a second and more severe tax. Thus they violate all the four canons of taxation propounded by Adam Smith. They are taxes which open out, too often, very painful and distressing facts in respect of illegitimacy and other social transgressions, which otherwise might remain buried in oblivion.

Objections to these taxes generally stated.

They are open to the objection that large classes of property are totally exempted from their operation. Lands, &c., in Mortmain, is the most notable example.

Looking at the very high rate of their incidence, viewed as

Confiscatory character of these taxes.

an income tax, for legacies and successions are really true profit income for the year in which they pass into new possession,* and that the State gives no security but what could be obtained by other and cheaper methods, these taxes amount to nothing less than *wholesale confiscations*. Economic writers usually condemn them as confiscatory, on the ground that they fall so abnormally on *capital* as distinguished from wealth in its other aspects.

Others consider that such taxes are quite inadmissible as ordinary sources of revenue, and should be strictly limited in their application to extraordinary capital outlay, repayments of loans, &c.

The main
objection.

A five-shilling duty on Probates and Administrations for estates above £20 in value was imposed as far back as 1694 in England and Wales; but the severe legacy duties, with a consanguinity scale of rates, were not introduced till such a recent date as the year 1796, and only as *War taxes*, there being then the most urgent need for money.† The gravest of all the objections named—that most laden with evil consequences—is *the enormous power afforded* by the Legacy and Succession Duties for ripping up and disinterring events long passed by, for indefinitely delaying the settlement of personal and landed property devolutions, and for otherwise affecting the sanctity of private homes, social relationships, and family histories.

The Consan-
guinity scale.

At a time when death has removed the breadwinner of a household, and unusual and unexpected claims of divers kinds come in from all quarters like birds of prey to feed on the estate, down swoops the King Vulture to exact its monstrous share of, perhaps, a small heritage—small when regarded in the light of the numerous just claims upon it!

The increase in the rates of duty on Legacies and Successions, according to the remoteness of relationship of the beneficiaries to the testator, or the *consanguinity scale* as it is termed, seems singularly unjust and impolitic.

As a general rule it may be concluded that a man in

* This is no new view; Mr. R. D. Baxter, F.S.S., pointed out in 1869 that the Probate and Administration Duty was really a tax of £2. 13s. 4d. per cent. on the income of the taxpayer.

† But the rates were quite moderate then in comparison with the present rates; 6 per cent. was the highest charge imposed, and the area of the tax was much more circumscribed.

directing the disposal of his property after his decease would most certainly be a better judge of the propriety or fitness of his dispositions than the State could possibly be. Moreover, a wider distribution of wealth is considered an advantage by political economists, and the interference of the State by taxes on the disposing inclinations of its citizens in these respects must *tend* to prevent a wider distribution.

There can be no doubt that these heavy duties lead testators to devise many ingenious schemes for securing real and personal estate from the impending clutches of the Revenue Officers ; whilst others, innocent of such manœuvres, experience the full burden of these taxes.

Temptation to evasions offered by the high duties.

The glaring injustice involved in the assessment of Real Property for Succession Duty on *a life annuity value, payable in eight half-yearly instalments*, whilst movable or personal property is assessed *on its immediate marketable value, and is payable at once*, is so patent that argument would be wasted in enforcing its recognition ; in fact the Inland Revenue Commissioners virtually admit the injustice in their 28th Report.*

Injustice of the rates of Succession Duty.

The three following examples of the unequal incidence of the Death Duties on Probates and Successions may be of interest ; the first showing the effect on a property on which both duties operate.

Example of the unequal incidence of the Succession Duty.

- 1.—An interest worth £5,000, on a Leasehold House, pays £150 in Death Duties, or £3 per cent. on its value.
- 2.—A Freehold House worth £5,000 pays in Succession Duty £25 on the owner's life interest in it—his age say 45—or 10s. per cent. on the value of the House.
- 3.—A Freehold Ground Rent of £50 a year, with 15 or 16 years of Lease to run out, present value £5,000, pays in Succession Duty only £6. 14s. (Duty being charged only on the capitalised value of the Rent), or 2s. 6d. per cent. on its true value.

The unanswerable arguments of Mr. Dodds urged against these Death Duties in 1883, in his letter to the Chancellor of the Exchequer,† will convince all but those having *vested interests in "things as they are"* (perhaps some of them), that the tax is

Mr. Dodds, M.P., on the Death Duties.

* 1884-1885 Report—page 68.

† Published in Tract form by the Financial Reform Association.

most unfair, impolitic, offensive, and expensive, both in its operation and in its effects. Those who carefully examine his facts and reasonings will perhaps be surprised that he did not advocate the entire repeal of these obnoxious taxes, instead of merely suggesting a repeal of the consanguinity clauses and scale, and some minor amendments.

Minor objections.

There are objections of a detailed kind still to be noticed. The more frequent the devolutions by death of owners of a certain property are, the more would that particular property assist the revenue by its taxation, as compared with another property whose owner remained alive during the devolutions of the other. The *corpus* of the first-named property, what with Death Duties and legal charges mainly arising therefrom, might indeed be thus annihilated in a very few years.

Graduated scale of Duties.

In the Probate Duty's four rates, there is *graduated*, or disproportional (*i.e.* unfair) taxation, the scale of duty rising at certain stages, tending to false returns to escape higher rates. A strictly proportional rate per pound sterling is simpler to work, and analogous experience proves it to be more productive.*

Liability of Executors.

There is also to be noticed the liability imposed on Executors by these Tax Laws, of *making good all omissions to pay Death Duties*, which often are not claimed by the Revenue Authorities for years after the Executors' accounts have been closed. The Department must be aware of many such instances, some involving particular hardship, the liability of the executor or trustee being unlimited in respect of time.

Exemptions, reductions, and evasions of the Duties.

Mr. Dodds points out many ways in which these duties are evaded, reduced by various plans, or affected by numerous exemptions.

For example, he shows the anomaly of personal estate in this country belonging to foreigners domiciled abroad escaping duty, whilst personal property in the colonies is subject to the duty here.

Personal estates under £300 in value are almost wholly exempt from Probate Duty.

Individual *successions* under the value of £20 escape Suc-

* The strongest temptation to evade the higher rate of duty occurs when the Estates are above the value of £100, £500, and £1,000.

cession Duty, but *Legacies* of the like class do *not* escape since the Act of 1881.

There is also the exemption of estates under £100 from Legacy and Succession Duty, and the exemption from Legacy Duty of Estates from £100 to £300 value where the Probate Duty of 30s. has been paid.

These and many other forms of exemption or reduction noticed in Mr. Dodds' letter must obviously create great irregularities in the incidence of taxation, and complicate the problem of the relative taxation of individuals, classes, and provinces.

Whilst freely acknowledging the necessity for a proper system of registration and proof of Wills and similar instruments, and for an entirely impartial authority for granting to those properly entitled the administration of the property and effects of deceased persons, it must be observed that these are matters of business not naturally and essentially associated with taxation, indeed they really have no proper relation to it. Offices of the kind could be paid for by moderate fees, proportioned to the cost of service, registration, &c.

Some Probate authority and machinery necessary.

Here it may not be out of place to notice, in the Departmental Report of 1885, the thorough familiarity with the legal bearings and subtleties of the subject shown in describing the numerous and complicated distinctions needful to be observed, correctly to assess, and levy these different duties on transfers of the estates and effects of deceased persons, and to guard the revenue from loss by evasions, &c.*

The Report on Death Duties of 1885.

But whilst thus enlightening the public, the Commissioners were scarcely aware, perhaps, how eloquently they were condemning the unsuitable and gravely injudicious character of these particular taxes, either as ordinary, or even extraordinary sources of national revenue. Any impartial man, reading the Report, would inevitably be induced to condemn such an obscure and complicated form of taxation.

A new tax was added in 1885, to remedy in some measure the anomaly that certain properties belonging to Corporations and like societies—so to speak, *deathless*—escape the incidence of the Death Duties. It is called the "*Corporation Duty*," and is

The Corporation Duty.

* See Report, 1885—pp. 59-70.

in the nature of a 5 per cent. tax on their income. The Duty for the first year of levy, 1885-6, was estimated to produce £150,000; it actually realised £33,561 only.*

The taxable income proved to be only one-tenth of the whole income owing to the enormous exemptions allowed by the law on charitable, religious, educational, and other similar heads of outlay included in their accounts, for which allowance had to be made in assessing the income for tax. The net income so assessed was made up roundly of these items :—

City Companies, City of London Corporation, and Inns of Court	£593,000
Other bodies, such as Clubs, Provincial Guilds, unreformed Corporations, Scottish Incorporations, &c.	102,000
Total.....	<u>£695,000</u>

Looking at the different nature of the properties taxed under *this duty* and under the *Death Duties*, and at the different rate in either case, with the other dissimilarities to be found, it is impossible to find any relative ratio in this 5 per cent. charge. It must be observed also that there is no formal record, no legal control and check, associated with its incidence on the taxpayers, as in the case of Probate, Legacy, and Successions, to serve as an excuse for the imposition of this duty.

It is then a tax quite distinct by itself, and properly should not at all be classed with Death Duties, being more in the nature of the *Railway Passenger Duty* in its primary incidence, though not so easily shiftable on others like that tax.

It may be viewed more correctly perhaps as an Income Tax at an increased rate of charge.

Another vein has thus been found from which Chancellors of the Exchequer may extract the circulating medium from their unhappy patient, the British Nation.

The next group of Stamp Duties affects Instruments of transfer, of record, and of proof of ownership or rights.

* If added to the taxation of 1884-5 it would represent only 4-100ths of one per cent. of the whole taxation.

STAMP DUTIES ON INSTRUMENTS OF TRANSFER, RECORD, &c., 1884-5.

Nature of Instruments.	Rates of Duty.	Net Duties surrendered to the Exchequer.	Stamp Duties on Instruments of Transfer, Record, Proof of Ownership Rights, &c.
Deeds and other Instruments not comprised in the items below named, including Solicitors' Admissions and Articles of Clerkship	{ At various rates, chiefly <i>ad-valorem</i> . }	£1,811,945	
Bills of Exchange (about 8 million)	„ ...	698,950	
Bankers' Notes	„ ...	308	
Composition for Notes of Bank of England and Ireland and Country Bankers... ..	„ ...	127,983	
Draft, Receipt, and other Penny Stamps	„ ...	934,381	
Net Stamp Duties on Instruments of Transfer, &c., paid into Exchequer			£3,573,567

To fully realise the waste of time and labour imposed by these forms of taxation we should refer to men engaged in legal, banking, commercial, and other business offices, where the daily transactions involve a constant use of these stamps and of stamped documents; but I will not at present dwell on this subject.

Taking the first item—Deeds, &c.—there are more than fifty varieties of this class of Instruments, of very diverse character, some chargeable on the *ad-valorem* principle, such as—

Conveyances,	Settlements,
Leases,	Transfers of Stock and Shares
Mortgages,	(Revenue £600,000),
Bonds to Bearer (Revenue £80,000);	

others with a fixed Duty, such as—

Solicitors' Admissions,	Agreements under hand only,
Articles of Clerkship,	Bills of Lading (Revenue
Affidavits,	£60,000),
Deeds of a certain kind,	Charter Parties,
Powers of Attorney.	

It will be found that some kinds of property, needing transfer constantly, escape all such taxation, whilst other forms, seldom passing from the holders, are heavily taxed on each successive transfer; that some properties taxed are, from their very nature, subject to constant transfer, whilst others are very

rarely transferred; and the Duty on these Instruments does not sufficiently recognise these important distinctions by reduction or increase in its rate.

Transfers of railway, corporation, and other companies' stocks, shares, and debentures are taxed at the rate of 10s. per cent., and such companies are allowed, at their option, to pay 1s. per cent. per annum on their total capital stock or debentures instead of 10s. on each transfer. Since this arrangement was allowed in April, 1887, 15 companies and 9 corporations have availed themselves of it, and paid respectively £4,390 and £1,082 Stamp Duty. These Duties cause investments of the kind to stand in an invidious position as compared with those in foreign stock.

In the case of transfers of Colonial Stocks in the United Kingdom, where compositions are allowed in lieu of a separate charge on each bond, &c., they are somewhat in the nature of a tax on the colonies concerned. The sum so received in 1884-5—£139,249, is not treated as ordinary revenue, but goes in reduction of the National Debt.*

The Duty on *Solicitors' Admissions, and Clerks' Articles*, £80 and £60 in certain cases, weighs very heavily on young beginners, and in no kind of manner assures even respectability of character, as has been too often proved of late years.

It is at the same time a special burden imposed on this kind of industry, and a protective tax in one of its worst forms—on human labour. The Revenue Authorities estimate the amount of Duty thus derived as about £60,000 for 1884-5.

The Duties on *Land Transfers*, estimated at £900,000, and on *Transfers of other property*, estimated at £700,000, of course materially tend to hinder the free interchange of such forms of wealth, not only on account of the heavy tax imposed—10s. per cent. usually—but because of the time involved in such transactions by lawyers' clerks and others, which of necessity has to be charged for by their employers in some way or other.

The rates of duty payable on *Bills of Exchange* are graduated in favour of the larger value Bills, in six stages up to £100,

* In 1885-6 this revenue was £150,308; in 1886-7, £179,890.

and then at an *ad-valorem* rate of duty of 1s. for each £100 or fraction of £100. This troublesome tax, in addition to other potent causes, tends to lessen the employment of these most useful negotiable instruments. In the year 1874 the revenue so derived was nearly £1,000,000; in 1885-6 it was only £653,354 net, charged on about 8,000,000 bills.

The Duty certainly confers some privileges on the party paying it, besides the immunity from the penalties imposed by the Stamp laws, inasmuch as Bills of Exchange are entitled to prompter remedies as matters of debt.

Much the same may be said as regards *Bankers' Notes Duties*, and *Composition Duties for the same*; there are eight graduated rates of duty up to 8s. 6d. per £100 favouring the larger values. Like the preceding, it is a diminishing tax source.

The smaller Stamp Duties on Transfers, Contracts, &c., are as follows :—

Bills on demand.

Receipts.

Drafts (Bankers' Cheques), about £450,000 revenue.

Contracts Notes for Sale or Purchase.

Delivery Orders.

Certain Insurance Policies.

Certain short term Agreements for Letting.

Protests of Bills of Exchange.

Letters of Allotment or Renunciation.

Scrip Certificates.

Proxy papers, and

Extracts from Registers of Births, Deaths, &c.

It may at once be observed that this last item is quite apart in its nature from all the rest, for, like a postal charge, it is a specific payment demanded for a specific personal service directly rendered, and is not at all in the nature of a tax.

Let us now consider these smaller Stamp Duties as a whole. There must be millions of transactions and documents used in every-day life in this country where the Stamp laws impose the necessity of procuring these proofs of a payment to the revenue of a small sum, varying from a penny upwards, each payment and proof causing a loss of at least one or more minutes

The smaller Stamp Duties generally.

Business
trammelled
needlessly.

of time, which to business men means *money*, Consider the cost of engraving, cutting dies, stamping machines, and printing machines, the labour employed in all these processes, and in distributing and checking the issue of stamps, &c., and the verification (by inspection of documents) of legal and correct stamps having been used thereon, and then ask ourselves whether we are enjoying—not free trade exactly—but *free business* with all these needless impediments and trammels affecting our transactions? The mischief, too, is very insidious, for the waste of time on each transaction appearing so small, the enormous magnitude of the aggregate loss of time is lost sight of. If we take account of the various processes necessary in making, distributing,* buying and selling, affixing, checking, and cancelling all these stamps, and we add to the sum of such labour the time involved in learning the Stamp laws, and the needful check of the stamped documents by all those amongst whom they circulate, some faint idea may be formed of the desperate waste of time and labour caused by this method of raising revenue.† There is also the objection that these Duties have a tendency to prevent the natural distribution and exchange of wealth in the most advantageous ways for the national interest.

Incidence of
these taxes.

In agency and such like businesses the payment of these Stamp Duties may be charged to clients and principals; but in the multitude of small isolated transactions the cost falls directly on the purchasers and users of the Stamps, who, apart from the Stamp laws, derive no advantage from their compulsory outlay of money and time.

Examining these Duties in detail, they will be found, with the one exception referred to,‡ mere hindrances to the despatch of business, and quite unworthy of a place in a national system of taxation.

Exemptions.

From the miserable waste of time and annoyance created by the imposition of these Duties the Government has taken good care to relieve itself by exemption clauses in the Stamp Acts, so that Affidavits, Valuations, Bills, Bonds, Receipts, and all

* In the year 1886-7 there were 2,640 post-office distributors employed, and 369,479 executed and written instruments were sent by the various distributors for stamping and return from the four chief offices.

† In 1885-6 there were penny stamps affixed to probably 233,337,000 receipts, cheques, and that class of instruments.

‡ Stamps on Extracts from Registers of Births, Deaths &c.

other instruments and documents required in the course of its official transactions are free from obstructions of the kind, and the relative cost of Government business is thus made artificially less than that of private firms. The general exemption from the Duties of Receipts for sums under £2, Agreements under £5, and many other examples of the kind, points to a recognition of the probable result, that so monstrous would be the hindrance to business, were they imposed on all transactions, that the law would certainly be evaded, the levying of the tax become impracticable, and the general outcry and protest against such Duties result in their wholesale abolition.

Before passing on to the next group of Stamp Duties, there is a matter requiring notice, perhaps of small moment just now, but which may grow into some importance if not watched.

Possible
source of
irregularity in
Stamp Revenue
Returns.

It has been the custom to allow penny *Postage* Stamps to be used for *Cheque* and *Receipt* and *some other Inland Revenue* Stamps ; and to this end the Postage Stamps accordingly now bear the words *Inland Revenue* on their face in addition to the word *Postage*. It is easy to see that this practice must tend to confound the various sources of revenue so affected, as the Documents on which the Postage Stamps are thus used are not, and cannot be, registered, so that an official estimate can be the only method of arriving at the amount received under each head of Inland Revenue. If this plan is to be extended, as would seem possible from the word *Revenue* being added to *all* the denominations of the new Postage Stamps, grave irregularities may creep in, from a system of *estimates* being applied in place of *facts*, in recording the receipt from the several branches of revenue.

The use of Postage Stamps for Inland Revenue purposes was allowed in the first instance to meet the complaints naturally arising from such an inconvenient, petty, system of raising national revenue.

The last group of Stamp Duties is of a rather miscellaneous kind, including Instruments of Contract, Commodities, and Articles for Sale, Licenses, and Certificates (almost similar to Licenses).

NET STAMP DUTIES OF A MISCELLANEOUS KIND—1884-5.

On Instruments, Articles, &c.	Rates of Duty.	Net Duties surrendered to the Exchequer.
Life Insurance Policies ...	About 1s. per cent. ...	£37,041
Marine do. do. ...	3d.* and 6d. per cent. per annum	145,554
Patent Medicines ...	From 1½d. to £1 each, <i>ad-valorem</i>	169,968
Gold and Silver Plate— £24,351—£47,307... ..	{ 17s. per oz. Gold Plate ... } { 1s. 6d. per oz. Silver Plate ... }	71,658
Playing Cards ...	3d. per Pack ...	14,926
Licenses to Bankers issuing Notes or unstamped Bills...	{ £30 per annum for each place of issue, with a few exceptions . }	37,200
Certificates to Solicitors, At- torneys, Proctors, Notaries, Procurators, Writers to the Signet, Law Agents, Con- veyancers, Special Pleaders, Draftsmen in Equity ...	{ At £9, £6, £4. 10s., and £3 per annum, according to their enrolment for 3 years or for a less period, and whether re- siding within 10 miles or not of London, Edinburgh, or Dublin	112,838
Certificates of Alkali and other Works—No. 981 ...	{ At £5 or £3 each per annum, according to their extent, &c. }	3,243
Net Duties from above Miscellaneous Stamps paid into the Exchequer		£592,423

* NOTE.—By Budget Resolution of April, 1887, this 3d. rate was reduced to 1d. per cent. on certain Policies.

It may perhaps be inferred that Government has found it necessary to exercise surveillance over some of the above industries and occupations by imposing these charges upon them ; but if so, could it not be more economically exercised without the necessity of taxing them so heavily for the cost involved in the control ?

The tax on *Life and Marine Insurance Policies*, though apparently small, forms a large percentage on the premiums payable, especially in the case of Marine Insurances, where it has been found heavy enough to drive the business abroad. To impose the smallest tax whatever on provident arrangements of this kind would seem somewhat injudicious.

If the financial information respecting Insurance obtained by means of these two taxes is found useful for statistical and other purposes, that object could be attained quite as effectively without taxing these transactions.

Patent Medicines.

By the Duties imposed on *Patent Medicines* the cost to the users is enhanced much more than the rate of tax implies ; and the Government confesses freely enough on the tax-labels and in the Revenue Reports, that the label in no way guarantees

the efficacy of the preparation round which it is wrapped. Nor in any other way does it advantage the seller or buyer, but the impost is simply a needless interference with the trade. Some 21,468,718 labels were required for use in 1885-6. Ireland is wholly exempted from this branch of the Stamp Duties.

Exemption of Ireland from taxes on Patent Medicines.

As regards the trades in *Gold and Silver Plate* and *Playing Cards*, the State taxation and the Departmental interference with the industries, ensure neither the quality, value, nor perfectness of the articles, but give infinite trouble and annoyance to managers and others concerned in the trade and manufacture, with no corresponding advantage whatever. The Assay Offices guarantee the quality of plate, but are paid special fees for this work.

Taxation of Gold and Silver Plate and Playing Cards.

The Plate taxes act very prejudicially to the interests of this industry as compared with others by thus handicapping it so heavily. The tax on *Silver* wares is especially onerous, that metal having fallen so largely and permanently in value.

In December, 1887, the price of Bar Silver in London was 3s. 8½d. the ounce, so that the Silver in Silver Plate must bear a weight of taxation of at least 50 per cent. on its value before working up.

In the ten years ended 31st March, 1885, the weight of Silver Plate on which duty was paid declined to the extent of 166,126 oz., though the production of Silver has largely increased, and the value shrunk in even greater proportion during that period. The tax also acts most unfairly and injuriously on our trade with India with its silver currency.

The tax on *Bankers, in respect of their Bank Notes and unstamped Bills issuing centres*, is in addition to the stamp duties on Bankers' Notes and compositions for the same noticed in the preceding group; thus it appears that a sum of nearly £165,500 is charged on Bankers' businesses, from which they reap no advantage apart from the Tax law, nor does there appear any reason for thus inflicting this imposition, unless it be that Bankers can afford to pay it out of their profits, even though subject to special taxation in another form. The Bank of England was further mulcted in a sum of £153,895 on its Bill issues, included, however, among the miscellaneous revenue.

Bankers' Licenses.

The annual taxation of *Solicitors and other legal practitioners* in no way guarantees character, or even ability, beyond that of

paying the tax, and they gain no advantages in respect of the payment apart from the Tax law, except the objectionable kind of protection afforded by its annual rate, which operates in conjunction with the Admission Duty as a somewhat onerous tax on neophytes for the first three years, and at times, even for years after, under certain circumstances.

As regards the taxation of the 981 *Manufacturers of Alkali and other Works evolving noxious gases*, there is some appearance of justice in a charge of the kind, for Government inspectors are required by the provisions of an Act of Parliament to inspect such works for sanitary reasons, and their pay and expenses can be met out of the proceeds of this Stamp Duty on the Certificates granted. But such inspection seems more properly in the province of a Local Board of Health, to require no special tax beyond the ordinary local rates of each district, and no control except that of the local inspector of nuisances, though possibly this control may have been considered insufficient in the present state of Local and County Government.

The cost of registration of these Works under the Act of 1881 would certainly not be high enough to justify the rates of duty imposed—£5 and £3—according to the size of the Works, &c.

Incidence of
Stamp Duties
generally.

Some of these Duties must act as reductions of profits, income, or wages, when they cannot be shifted on to others by means of increased prices or charges for services rendered, and when they are not in the nature of payments by an Agent for his principal or correspondent; but in every case they help to obscure the problem of the incidence of the general taxation on each individual in the State.

Judge Blackstone, referring to this revenue in his "Commentaries," was of opinion that some advantage attended the stamping of deeds and other instruments, as it authenticated them, and made it more difficult to forge documents of long standing; but this might be attained in instruments, where needful, by a system of registration paying its own cost; but to raise a large revenue from business transactions of the kind is a very different matter to a registration fee.

Cost of
collection.

The economic system of the Post Office is largely employed in the collection of some portion of this revenue, and must materially reduce the cost to the Inland Revenue Department.

Stamping and self-recording machines are largely employed to save clerical labour, and the cost (could it be ascertained) of collecting the entire revenue from Stamps would probably not exceed $1\frac{1}{2}$ per cent.

In the year 1884-5 a further sum of £38,815 was paid into the Exchequer for "*Stamp Duties*," but was not included in the detailed classification of revenue by the Authorities, not being net revenue for the year. Doubtless it was mainly derived from Death Duties. That sum added to the preceding items of revenue (excepting the Corporations Duty—£33,661, which belongs to the year 1885-6) makes up the total of £11,925,000 shown as received by the Exchequer.

THE DIRECT TAXES.

THE LAND TAX.

The produce of this tax paid into the Exchequer in the year 1884-5 was £1,065,000.

The tax may be described as a reserved rent on certain lands and tenements, to which the Crown—as representing the nation—is entitled in fee-simple.

Some points
in the later
history of the
Land Tax.

Without entering into the history of this tax in detail,* it is necessary to notice some salient points in its development since the year 1689.

It is now well understood by fiscal authorities that, in the new form the tax was then made to assume, it was nothing else than an *Income Tax*, levied at the rate of 4s. in the pound upon the annual value of, or presumed profit from goods, wares, merchandise, and chattels of all kinds, of profits and salaries of all persons except Naval and Military Officers, the profits from all these sources being assumed to be 6 per cent., the legal rate of interest in 1689-1692; also at 4s. in the pound on the rack rents of landed property, including tenements, but this taxation of rents was apparently introduced as a last resort, as if anticipating failure in the preceding sources.

Owners of untenanted lands and houses were not excused from paying the tax, a point of some importance to note.

Stock on land, debts, and household goods were exempt.

Ireland was exempted from this tax, and there are also vast tracts in Great Britain exceedingly fertile and valuable, which are not, and never were, liable to this impost under the original provisions of this tax law.

* In this rapid sketch of the present taxes it would be out of place to describe the various stages by which the ancient *Scutage Tax* and its modifications in later times, under different names and forms, became gradually resolved into the present *Land Tax*. Gross laxity in the framing and administration of the tax laws was a conspicuous feature in its past history, but as the subject may interest some, I may refer to an excellent condensed history of the tax founded on the results of a special inquiry into the subject instituted by the National Anti-Corn-Law League in 1842, which appeared in the *Financial Reform Almanack* for 1887, and is now published in pamphlet form.

Levied first in 1689 in a far from equitable form, the tax was in 1692 altered in several respects, and made much more unjust in its incidence ; it was then introduced as an emergency tax for one year only, for carrying on a vigorous war against France.

Owing to the inequitable way in which *incomes from labour* were taxed by it in comparison with *incomes from property*, and *personalty* as compared with *realty*, the natural consequence of the two first-named exemptions, owing also to the very imperfect provisions for local assessment and central control over such assessments, the tax decreased in three years to the extent of £186,000.

Though unjust in its first inception, the tax should gradually have become more productive, had the assessment machinery been more sound, and attempts to ascribe the failure of the tax mainly to the shifting nature of personal profits and property seem scarcely justified or correct.

But by adroit manœuvres of landowners in the British Parliament, and by the neglect (if not worse than neglect) of the Assessment Authorities, the tax in time became levied on an *old* assessment, that of 1692, though land and other property of a permanent kind were rapidly increasing in value every year. In the year 1697–8 it was voted, and *legally* (though unconstitutionally) converted into a “*tax of repartition*,” with a *fixed assessment*, that of 1692, as above stated.

Act 9, Will.
III. cap. 10.

By this law the total sum leviable was repartitioned in fixed sums upon the several counties ; these sums were again partitioned in fixed sums on the several Hundreds, Towns, &c., and these sums again in like manner were apportioned upon individuals, these personal charges alone being subject to alteration, but not of a kind to affect the total charge on the Borough, Hundred, &c.

Partly from defects in the principle of, and the provisions for, assessment—for example, assessment *on the theory of income*—partly from insufficient penalties for evasions of payment, concealment of true income, and probably from collusions between local assessors and taxpayers, the revenue from *personalty* fell away in an extraordinary manner,* whilst the

* *Personalty* was finally exempted in 1833, *Offices and Pensions* in 1877.

landowners found it easy to pay the entire quota of tax on lands largely increasing in value, but assessed at fixed nominal values absurdly below their true worth.

That the principle and administration of this tax were considered thoroughly faulty is proved by Mr. Pitt introducing his "*Improved Property and Income Tax Bill*" in 1798.

But the decrepid Land Tax was also retained ; and we now arrive at one of the most questionable measures that has ever been enacted in reference to the National Fiscal Revenue, for it amounts to nothing less than an unconstitutional abuse of the taxing power conferred on the House of Commons for the general interests and advantage of the whole nation.

A Bill was introduced and an Act* was passed, under which the Land Tax was declared "*a perpetual tax,*" and power was given for redemption of this "*perpetual tax*" thus permanently established, for—putting aside all the profuse verbiage of the Act—that was the simple meaning of this enactment, under which the taxation of future generations was to be forestalled.

There must have been some powerful influences at work, and pressure brought to bear of a nature not appearing on the surface, to induce the great War Minister to devise such a *hocus-pocus* expedient ; it is easier to understand how the House of Commons, almost wholly representing then the land-owning interests, sanctioned this measure, extinguishing by its operation untold millions of pounds of future revenue of the most legitimate kind.

It should surely have been obvious that laws giving such security to land against future taxation, and throwing so much new taxation on labour, would increase largely the value of land, and with it, enhance other property values in such a degree as to defeat the ostensible purpose of this redemption scheme.

† Dr. John Gray, LL.D., referring in the year 1802 to this redemption, characterised it as absolutely unconstitutional thus to deal with the Land Tax, supplies for the defence of the territories of the kingdom being fundamentally adherent to the land, "*quæ nulli unquam relaxare possunt.*"†

Under an Act—16-17 Vict. c. 74—more advantageous terms

* Act 38 Geo. III. cap. 60.

† In a work "The Income Tax scrutinised"—page 63.

for redemption were granted to landowners, and an eminent statist has computed that these terms, reckoned from the year 1853 when they came into force, would, after entire redemption was effected, result in a "*somewhat needless loss*" to the revenue of from six to seven million pounds sterling!*

This estimate enables one to form some notion of the enormous loss sustained by the nation from the Act of 1798.

To guard the taxpayers and the State from unconstitutional measures like this, and others that could be named, there appears need of some fundamental Statute, to alter any article in which, would, by its provisions, require the election of a new Parliament before a proposal of the kind could even be debated.

In bringing forward the original redemption Bill however, Mr. Pitt took every care to make it clearly understood *that any future Parliament would be absolutely free to impose a new Land Tax, or to increase or re-assess the existing one*, though he assured the House that such contingencies were improbable. This seems an important point to remember in any attempts to reconstitute a tax on land.

The history of the tax needs no further notice; as a source of revenue the tax is gradually dwindling into relative insignificance, at the rate of £3,000 or £4,000 a year.

Decline in the annual produce of the Tax.

The proceeds of the tax now represent about $1\frac{1}{2}$ per cent. of the entire true taxation included in the Imperial Revenue,* whereas in its original forms of Scutage, Hydrag, Carrucage, Tenths, and even the later Subsidies, the Tax formed the most productive source of National Income.

Year by year the incidence of the tax has been diminishing, and now it operates in Scotland as a charge on land averaging less than three-sixteenths of a penny per rental pound, instead of 4s. the original burden, equivalent to 1 per cent. on its Capital Value, then about 20 years' purchase.

The general average of Great Britain is less than $1\frac{1}{4}$ d., and there are many parishes where the tax is only a very small fraction of a farthing per rental pound, owing to the rise in land values.

* Statistics of British Land Tax Assessments, by F. Hendriks, F.S.S.—*Statistical Society's Journal*, 1857.

† Excluding Post Office, Telegraph, Crown Lands, and Miscellaneous Revenues.

In 1873 some 2,000 parishes paid quotas under £10 each to this tax (ten of them were under 1s. apiece), but in every case the necessary annual meeting of Land Tax Commissioners had to be convened in accordance with the Act, the Clerks, Collectors, and Assessors appointed, the oaths and instructions administered to them, the usual parchment duplicates made out, attested, and examined, and all the other antiquated formalities strictly observed.*

A general Land Tax a natural part of a National system of taxation.

Though this branch of revenue is thus gradually expiring, yet it must be patent to all that a Land Tax should form an important feature in any scheme of National taxation.

Fairly assessed and levied it acts as a desirable check upon lands subsiding into mere wastes for sporting purposes, like certain extensive tracts in Scotland and Ireland, and even in England, have become.

Besides, there are many expenses of a general and local kind that are properly only defrayable from a Land Tax, such as Ordnance Surveys, Land Valuations and Commissions, Tithe Commutation Surveys, and other expenses of a kindred nature; and if a general system of Land Registration is to be introduced, as promised, that expense would also be an equitable charge on such a tax.

How to dispose of present expiring Land Tax.

But before any universal and equal impost on land could be established, the problem of "how best to free the country from the present moribund Land Tax" would have to be solved.

The most equitable course—were it only practicable—would seem to be, to repay the £25,000,000 or thereabouts, received in respect of commutations, which sum has been expended in reducing the National Debt. But, whether paid in Cash or Stock, this would involve immense financial transactions, and, moreover, the Inland Revenue Commissioners consider it would be impracticable. This can be readily understood when we reflect, that a record of each commutation since 1798 should rightly be in evidence, and when we consider the difficulties arising from later divisions of tax-redeemed lands, devolutions to other owners of the property so redeemed, &c. Other plans have been suggested, all involving much time and rather intricate arrangements and transactions between the State, the owners,

* "Financial Reform Almanack, 1886"—p. 112.

and the occupiers when liable for the tax. The Inland Revenue Commissioners advocate inducements for a more rapid redemption of the existing tax by naming a fixed number of years' purchase as the price of it.

This plan, if the terms were made much more advantageous than now, would certainly clear off the tax more quickly, but would leave the problem of fresh taxation of the land as insoluble as before.

More thorough-going action seems needful now in this matter. I would suggest that after a notice of a year or so, all land never liable to the land tax and all unredeemed land should be made subject to whatever general Land Tax Parliament might impose upon a certain fixed date after the close of such period of warning; and that from twenty years after that fixed date all tax-redeemed land should also be liable to such new land tax. Some injustice must be involved in any plan that is at all practicable, but this would render the effect of it rather remote, and after all it cannot be forgotten that the tax-redeemed lands have in time past been freed from the Land Tax in a far from equitable way at the expense of the entire nation.

Before a new Land Tax could be levied many measures of reform would doubtless be necessary, such as simplifying the processes in and cheapening the cost of the sale and transfer of land, and altering certain laws which by mere inertia act as impediments to the free devolution and distribution of landed property and re-act upon Owners as well as would-be purchasers: I refer to the laws of primogeniture, settlement, and entail.

It would also seem politic to put much lower Stamp Duties on instruments for Sales than on those for Leases, if Duties of the kind are still thought expedient.

Among many other causes for the depressed state of the land industry in certain parts of Ireland and Scotland may be suggested—the exemption of landed proprietors for years past from any, or any proper, land tax, further aggravated in Ireland by their immunity from many other taxes borne by English and Scotch proprietors, which burdens, in some degree, compel them to apply their holdings to profitable uses, or to part with them to those who will. With so few tax charges

Preliminary measures needful before imposition of a Reformed Land Tax.

Views on one cause of the depressed state of Land industry.

affecting them as landlords, they are encouraged to hold on too long to their annually impoverishing acres.

General opinion on the subject of the distressed state of the land industries of the United Kingdom seems to be gravitating in favour of peasant proprietorship, with the needful preliminaries of freer, easier and cheaper powers of transfer, registration, and title. I cannot quit the subject of land without referring to the terrible injustice inflicted on Irish landed proprietors by recent legislation. So long as land as a commodity is free and untrammelled in respect of its purchase, sale, and use, contracts respecting it are surely inviolable, except under the one condition of land being required for the general public advantage. Under such circumstances it has been for many years if not always held that owners are entitled to fair compensation. From various causes agricultural produce of certain kinds can be and is imported to these islands at such low prices as to affect farmers profits severely, and Ireland, being almost wholly occupied in agricultural industries, naturally feels this competition most severely. Complaint is made that the rentals payable are too high under these adverse conditions, and many landlords reduce them accordingly. Others do not consider the claims for reduced rentals fair, or substantiated properly, and decline to grant reductions; and it may fairly be argued that such owners are the best judges of what they can or cannot afford to do in respect of their land.

Present landlords are in no way responsible for the trammelled state of landed property, and may therefore fairly claim to hold their properties under the same conditions under which they purchased or acquired them. What possible equity is there in subjecting lands thus in dispute as to the proper rental they should earn, to the valuation of a third party, when there is no question as to the terms of the contract? If such a principle is applied to land, surely it should be applied to contracts for every other sort of property, contracts for labour, contracts for paying interest, &c., till all fixity of obligation became a mere phantom, an unsubstantial idea.

It is quite a different thing for a Government to value property, *with a view to ascertain the right amount of taxation*

to be raised from it for public purposes; and, to value it for the purpose of deciding what profit the owner is to derive from its being lent for farming purposes.

The Irish Land Acts operate in the last named manner, and there seems a possibility of further application of this novel principle in legislation, for the price at which land for allotments, &c., is to be bought and sold is proposed now to be decided by some third party, though the object is not so much one of *public* as of *private advantage*.

Were land, and property on the land, taxed honestly and fairly, it appears to me there would be no occasion for this new and most unsatisfactory kind of legislation.

THE INHABITED HOUSE DUTY.

The net produce of this tax paid into the Exchequer in the year 1884-5 was £1,885,000.

Exemptions
the chief
feature.

The exemptions herefrom are so very extensive as to claim the most prominent notice.

In the first place, Ireland is entirely absolved from payment of this impost.

It may well be thought that these numerous exemptions in favour of Ireland, to which attention has been drawn, together with that most important one enjoyed till 1854 of *freedom from Income Tax*, were unreasonable concessions to be made when arranging the Union of Ireland with Great Britain in 1801, not to speak of many other advantages granted to the Irish then.

The Union was entered into without *uniformity in taxation*, probably the most important of the many "articles of association" needing equitable arrangement in settling the terms of a national partnership.

The present condition of Ireland is probably in some degree the result of such want of uniformity.

Other numerous and important exemptions require notice.

All houses under £20 in value escape Duty; thousands of such houses can thus be owned by one individual or by a firm or company without any liability to pay Duty on them.

As might be expected, the business of running up cheap tenements just below the £20 limit of annual value is much on the increase, and house owning on a large scale, by individuals or companies, is also developing into a distinct branch of financial speculation, the fullest advantage being taken of the various exemptions allowed under the revenue laws in favour of the industrial occupation of the tenants, and with regard to the structural arrangement and value of their several tenements.

In the case of the many large blocks of buildings for which

exemption is claimed under the laws affecting artisans' and labourers' dwellings, the Department has to supply inspectors to verify the occupations of the ever-changing tenants, the values of the separate tenements, and their structural isolation. The expense of inspection, and the very inquisitorial character of the control necessary to protect the revenue from abuse of these exceptional privileges, may be easily understood. In the year 1885-6, 408 artisan dwellings in blocks, of the annual value of £69,621, were exempted from paying this tax.

There are further exemptions in the case of the Royal palaces, &c., and the Government offices. Hospitals, charity schools, and poor houses are likewise placed on the same footing as the Royal palaces, &c., if claims for exemption can be legally established; so are convalescent homes, lunatic asylums, infirmaries, dispensaries, and training institutions when strictly charities. There is again the large class of exemptions for buildings used for trade purposes solely, and untenanted at night, and those of them with caretakers, all needing constant supervision in order that the revenue shall not suffer from infringement of the Exemption rules; for one exemption leads inevitably to the creation of others.

Of course all *uninhabited* houses are exempt under this tax; yet on abstract and equitable grounds there will be found no satisfactory reason for confining the tax to inhabited houses only.

For example, a tenant letting furnished rooms never thinks of claiming exemption from his landlord for any part of his rent if his rooms are unlet to lodgers, and this is almost a parallel case.

Further, it is found that empty houses need more thorough watching by the police (by next-door neighbours also).

It must also be observed that the freedom from taxation allowed to the owners of vacant houses *tends* to induce them to maintain claims for a higher rent than their houses are strictly worth.

The owners are entitled to all the advantages of law, protection, and civil remedies in respect of their empty houses as much as if tenanted, and it is difficult to see what more reasonable claim they have to entire exemption from this tax because their houses are untenanted than has a silversmith or other owner of property specially taxed when his goods hang on hand for a time. The only claim for remission that can be at all

fairly urged seems for *deterioration in value*, possibly the very cause of the houses remaining unlet.

Objections to
the differen-
tial rate
between
dwellings and
shops, &c.

There is, further, the anomaly of houses used partly for residence, partly for gain by trade, &c., being charged 6d. per £ of annual value, whilst all other houses pay 9d. per £. Many in the latter class are doubtless simply private residences in which no profits are earned in any shape. Some people argue that the higher rate of tax should fall on the gainers of profit.

That view can hardly be correct, but at the same time the injustice of the present distinction in the tax rate seems very manifest.

Many thousands of householders earn profit by labour pursued in their own private houses ; others again earn profit elsewhere, though residing in private houses. If profit-earning be the criterion for tax mitigation, these occupiers of private dwellings would be equitably entitled to the 6d. rate ; yet there would seem in each case no real grounds for reduced taxation. We may reasonably presume that all occupiers of private houses are doing good service to society in some form or other, or have done so in their day ; and this fair inference should protect them from an invidious tax—50 per cent. higher than that charged to their trade-profit-earning neighbours.

Shops are not opened and trade carried on in them for the mere object of benefiting society, but for the prosaic one of gaining a livelihood from the profits accruing ; and the same practical economic end is the prime motive power with other workers in their respective callings, whether carried on in private residences, or in shops, factories, or offices, and whether such workers be of higher or lower degree in the scale of society.

The differential rate acts as a tax on those not living by trade in their own trade premises.

If all were engaged in trade, traders would suffer in their profits far more than the amount of house duty they escape by this differential rate of 3d. per rental pound.

The chief objection to the differential rate remains to be noticed.

Trade and business of all sorts, and the premises where they are carried on, need the services of police and other protective

institutions, general and local, quite as much as, and indeed more than owners and occupiers of private houses do, and on closer consideration it will, I think, be found that traders and dealers enjoy other advantages at the public expense. It seems, then, especially unfair that they should further receive a bounty in the shape of exemption from one-half of the house tax; for it is now an unquestioned canon of taxation, that undue exemption from a tax means a bounty given to the exempted at the cost of the rest, a higher rate being the consequence; or, to put the axiom more succinctly—*One man's exemption is another man's extra taxation.**

The natural result of these numerous exemptions may be gathered from certain tables in pages 248–251 of the Appendix to the 28th Inland Revenue Report (1885), and I will state the main facts succinctly thus:—

Out of a total of 6,087,419 houses, &c., in 1883–4 in *Great Britain*, only 1,171,111 or 19·24 per cent. were taxed, rather more than a sixth; and out of a total *annual value* of £124,510,409 assessed that year, only £60,812,061 paid duty, or about 48·84 per cent.

Houses in *Ireland*, not being liable to this Duty are of course excluded from these tables. According to the census of 1881, there were nearly 500,000 substantial houses in that country, besides over 425,000 mud-houses, &c., of four rooms and less, though some of these *four-roomed* houses must surely be too modestly described.

The tax is being quite frittered away with such wholesale exemptions, one of which is of a kind calculated to assume the form and importance of a grave political danger to the State, and to confuse the true incidence of taxation, and render all efforts to equalise it a more hopeless task than ever.

It would seem not only right but politic to lead the masses

* At page 31 of the 29th Report of the Inland Revenue Commissioners a table is given showing the *gross amount* of House Duty charged on Shops, Warehouses, Beer Houses, and Farmhouses in 1884–5 as £463,091, and that on Dwelling Houses as £1,588,400; the latter therefore pay more than 77 per cent. of the Duty, presuming the *net* receipts of tax correspond with gross receipts (and, moreover, later returns of revenue indicate that this disproportion is increasing). The number of the *shops, &c., charged with duty* was 359,823, that of *Dwelling Houses* 816,564. The number of Houses of all sorts *not charged with Duty* was 4,986,673—that is, more than 80 per cent.

gradually to pay their share of the national taxes, directly and openly, to let them know how much, and why, they are taxed, and what becomes of the money, instead of their real taxation being hidden from them under the appearance and name of "*exemption.*"

The truth cannot be concealed from them much longer.

The exemption of houses under £20 in value is here more particularly alluded to, but the concealment of the taxation of the masses takes place in many other forms.

Incidence of
the Tax.

The House Duty has been termed a *Direct Tax*; but in the very numerous cases in which an owner of houses pays the Duty in the first instance, and recovers it from his tenants in the shape of increased rent, it is clearly an *Indirect Tax*.

The great French economist—M. Passy—considers this thesis an unquestionable fact.*

M. Leroy Beaulieu—editor of the *Economiste Français*, who has dealt with the subject in some detail, concurs in this opinion, as indeed do most modern writers on tax incidence.

The trouble-
some effects of
the exemp-
tions and the
differential
rate.

The difference in the tax rate in respect of houses partially occupied for business purposes occasions much trouble in the administration of the tax, and apparently much exercises the minds of the Departmental Officers from time to time by the nice shades of distinction raised in some of the claims for exemption or for reduction in the rate of Duty.†

Also the time and expense involved on the part of the taxpayers must not be lost sight of, for there should be no doubt as to the fact and extent of a man's liability to a tax if we are to believe Adam Smith's second axiom of taxation.

Inequitable
Assessments
for House
Duty.

There is lastly the subject of inequitable assessments to be noticed.

Unless Local Assessors are selected with particular regard to their thorough impartiality and disinterestedness, and to their technical knowledge of the value of the property they have to assess, it is quite evident that flagrant injustice and favouritism will soon be apparent in their valuations.

Those who have the direction and control over these assessments of houses, premises, grounds, &c., are almost entirely

* "*Dictionnaire de l'Économie Politique*"—(Paris, 1852)—"*Impôts*"—page 902.

† See Inland Revenue Report, 1885—p. 87, paragraphs 9 and 10.

connected with the landowning classes, if not landowners themselves.

The widespread exemptions allowed in regard to this tax may be said, in one sense, to *suggest under-valuations*, and class interest being so closely associated with self-interest in a matter like this, is not likely to lead an assessor to value his friend's or employer's properties too highly, or to induce one magistrate to represent that another magistrate's property has obviously been valued much lower than it should have been.

It is not an agreeable task to dwell on the notorious under-valuations of princely mansions, parks, and country houses, often allowed to pass unquestioned on the untested assumption that the occupying owners could not obtain a larger rental were the property let; the matter may be more satisfactorily discussed by local experts engaged in these questions.

But is it astonishing that great dissatisfaction is expressed by the middle and professional classes, and by the more intelligent of the artisan and manual labour classes, at assessment committees thus constituted; or at the valuations thus arrived at, being supervised by higher functionaries, even more interested in the valuation of their own properties, and mutually interested in the same class of property brought before them for supervision?

A complete change in the appointment of Assessors seems an obvious necessity, and their assessments might with advantage be submitted to the supervision of some impartial authority accustomed to deal with such technical matters; but this is a question closely connected with Local Government, and cannot be pursued further here; but one could wish to hear of penalties imposed on assessors or assessment committees in cases of notorious under-assessment.

Like the *Land Tax*, the *Inhabited House Duty* has the advantage of being a tax upon *visible property*, but, as I have shown, both of them are subject to numerous and important exemptions and abatements, and the machinery for their proper assessment on equitable and just principles is in one case utterly demolished and abandoned, and in the other seriously defective from being so completely in the hands of those who have the largest pecuniary interest in the property to be assessed for taxation.

THE INCOME TAX.

Amounts of Duty charged.

<small>SCHEDULE</small>	
A. Lands, &c.	£4,390,879
B. Farmers, &c., Profits	344,418
C. Public Funds	1,003,861
D. Trades, Profes- sions, &c.	3,557,458
Public Companies	2,739,649
(£8,297,107)	
E. Salaries, Pay, &c.	735,543
	<u>£12,771,798</u>

The net revenue from "*Property and Income Tax*" paid into the Exchequer in 1884-5 was £12,000,000, the tax rate being at 6d. per pound of income.

Criticism of this tax must be made with more than ordinary care, as so many authorities on taxation have approved in general terms of an Income Tax, though aware of many theoretical and practical objections to it.

Some opinions
on this tax.

Lord Lauderdale, soon after the first Income Tax—Pitt's—was proposed, wrote a pamphlet on it, in which the arguments against the tax were so clear and convincing that one can only conclude that the pamphlet was not circulated soon enough or in the right quarters.

The most profound and voluminous German writer—*Lorenz von Stein*—goes so far in praise of an Income Tax as to pronounce it as the primary principle and final outcome of all scientific and practical taxation.

M. Esquirou De Parieu, perhaps the most distinguished of the many eminent French writers on taxation, is inclined to view income and property jointly, according to their relative ratios, as the theoretically true basis for *equality in taxation*, a subject to which he has devoted more than ordinary attention and space in his noted work "*Traité des Impôts*." Admitting the severity with which the tax strikes incomes from labour he thinks the British nation is attached to an Income Tax!

Turning now to the practical side of the subject, we find the Inland Revenue Commissioners in their 28th Report (1885) relying on the Income Tax as the sheet-anchor of the British fiscal system. Mr. Stephen Dowell, Assistant-Solicitor to that Department, adopts the same view in the preface of his recent work on English Taxes,* describing the repeal of the Income Tax in 1816 as having shattered to pieces the fiscal system

* "*Sketch of the History of Taxation and Taxes in England.*" 8vo—London, 1884.

then in force ; but surely it was a needful repeal if we are to believe the evidence of Professor Babbage, who, writing on the subject, said,* “The present generation has little notion of the intense feeling of antipathy with which the Income Tax of 10 per cent. existing about half a century ago was then viewed, nor of the popularity which was acquired by its subsequent abolition,” &c.

Lord Beaconsfield, in 1851, declared this tax was founded on a false principle, whilst Mr. Gladstone, uncomplimentary as he was to it in his Budget Speech of 1853, roundly denounced it in 1858 as the most demoralising and corrupting tax. It certainly cannot be affirmed that he has changed his views since then. Public opinion of the tax is generally expressed thus:—“That the principle of it is unjust and cannot be defended, but if the rate of tax is kept very low, no great practical harm arises, and that it is a useful tax to have at hand for an emergency, such as war, when revenue must be raised at any cost.† Several writers on taxation, and many practical statesmen, have held similar opinions on this tax, opinions which do not seem at all reconcilable with its right to be regarded as *the mainstay of a national fiscal system* !

An immense amount of attention has been lavished on this tax, and literary contributions of all kinds, from the cheap pamphlet to the ponderous blue-books of evidence given before Parliamentary Committees, may interest, if not satisfy, the zealous inquirer respecting the principle and practical operation of this “*gigantic fiscal engine*.”

In this rapid sketch of our several taxes, my remarks on this important one must be condensed into less compass than the subject really deserves.

First, then, as to the true title of the tax. As M. De Parieu has remarked, the term “Property and Income Tax” is incorrect as applied to the British Income Tax ; for though the tax affects incomes from “Property,” as it does incomes from “Labour” and “Profits” in various forms, it does not affect the *corpus of Property*, but simply aims at appropriating a certain share of the *income* from it.

“*Income and Property Tax*” a misnomer.

* “Thoughts on the Principles of Taxation.” C. Babbage—London, 1848.

† Acute criticism might here interpose—at what cost, at the cost of public morality! at the cost of national justice !

What is true
Income?

But the term "*Income*" also needs examination.

"Income" means, in one sense, *profit accruing*; in another sense it means *wealth in some form or other coming into possession*; and, for purposes of comparison, income, of either description, is measured by definite periods of time—a year, &c.

The Income Tax Acts are so astutely worded as to enable the Tax Department to take advantage of both these views of Income.

If I remember rightly, the tax is imposed, according to the language of the Act, on *all income or profits coming in, or under course of payment*, in the year under assessment.

Supposing the Act to be framed with the sole desire to establish just equality in the imposition of the tax, the first of the above two meanings must be the income intended, for it is the *true economic profit income*; but in very many, indeed in most cases, this income is most difficult for the taxing authorities to discover and accurately determine except by a most inquisitorial system of assessment. The second view of income—as *wealth coming into possession*—is more generally adopted in practice, but is mostly limited in application to *cash or money coming in*. Occasionally, perhaps, when overhauling a trader's or manufacturer's books upon a "*surcharge*" or "*appeal*," the Department will take the first and truer view of income, and be thereby led into a far larger sphere of examination and comparison. With these introductory remarks, I will now call attention to the concluding sentences in the Report of the Select Committee of the House of Commons (Mr. Hubbard's) appointed in 1861 "*to inquire into the present mode of assessing and collecting the Income and Property Tax, and whether any mode of levying the same so as to render the tax more equitable can be adopted.*" The last two paragraphs run thus: "This tax having now been made the subject of investigation before two Committees" (referring also to the previous one—Mr. Hume's in 1851–2) "and no proposal for its amendment having been found satisfactory, your Committee are brought to the conclusion that the objections which are urged against it are objections to its nature and essence rather than to the particular shape which has been given to it. Your Committee also feel that it would be unjust to make any alteration in the present incidence of

The Income
Tax Com-
mittees of
1851–2, 1861,
&c.

the Income Tax without at the same time taking into consideration the pressure of other taxation upon the various interests of the country, some of it imposed by recent legislation, and in one case especially, that of the Succession Duty, to some extent by way of compensation.”*

Those who have carefully followed the evidence given before Mr. Hume’s Committee by the many most eminent witnesses against the tax, Mr. Babbage and Mr. Hume himself in particular, exposing its great and manifold injustice, who have read the weak inconsequent objections raised against the amendments suggested, the arguments employed in defence of the present tax, and remember the disappointing result of that Committee, will not be surprised that Mr. Hubbard’s Select Committee of 1861, and the more recent inquiry, have met with so small success. The constitution of those Committees in respect of the party bias of the members found on them, their natural personal interests in the question, but more especially *the restricted orders of reference and instructions to the Committees*, must be examined into and weighed thoroughly rightly to comprehend the unsatisfactory outcome of these inquiries.

Unsatisfactory results of the three inquiries.

However, the two first were not quite abortive, for some important modifications in the administration of the tax followed in course of time, clearly the result of public opinion—enlightened or confirmed by these inquiries, and brought to bear on the Treasury and Revenue Authorities.

With reference to the following sentence in the portion of the report just quoted—“*that the objections urged against the tax are objections to its nature and essence rather than to the particular shape which has been given to it*”—and presuming the last clause to mean either, its non-essential features as a tax, or its detailed administration by the Revenue Department, it must be respectfully maintained that both the principle and the detailed working of the tax have been successfully assailed,

Both principle and administration of the Income Tax faulty.

* With regard to the last sentence in this quotation (which quotation is referred to with evident approval in the 28th Report of the Inland Revenue Commissioners) it must be observed that the Succession Duty on *Landed Estate* seems rather to have been imposed as a complementary tax to the Legacy Duty on *Personal Estate*, without reference or relation to any other tax than that one.

See Inland Revenue Report 1885—page 67—paragraphs 2, 5, &c., “Succession Duty.”

and their injustice and impolicy abundantly exposed in the evidence given before the several committees; and that intelligent public opinion can hardly be expected to be satisfied with the decisions of Committees, so crippled in their very instructions as to nullify most of the advantages which might have been derived from the mass of valuable evidence taken in the course of the inquiries.

Mr. J. G. Hubbard (Lord Addington) doubtless well aware of the strength of his case, annually, and for many years, attacked the principle, as well as the administration, of the Income Tax Laws.

Nine main
objections to
this tax.

To exhibit more clearly the nature of the main objections still urged against the tax, I have arranged them under nine heads, each of which shall be treated as briefly as the needful illustration permits of.

Objection I.

That a tax on *gross income*—the reward of physical or mental labour, before such exertion has received its needful sustenance and satisfaction from that reward—is unjust in principle, and opposed to the teachings of sound economic policy.

As Mr. Thorold Rogers once put the matter: "It is surely just that a tax should be levied on the capacity to spend, and not on mere receipts, unless finance is to mean a raid on the weak and unprotected.

"The receipts of different classes of the community, loosely called by the general term *income*, are the result of different kinds of service, &c., and a uniform tax on these receipts can neither be proportionate to the profit, the property, nor the ability of the taxpayer."

The late Dr. Farr, the eminent statist, showed in a paper read at the Statistical Society in January, 1853, that the Income Tax, though called by some a *tax on profits*, was not so actually, in the way it was levied; but was a tax rated on the *profits* of one class, but on the *produce* of another, and was therefore unjust and inequitable.

Some relief from the severe incidence of the tax in this respect is certainly now afforded in the different schedules; but in the cases where the injustice of the tax is most conspicuous, the relief granted is most insignificant.

Putting aside for the time such relief abatements as are

common alike to all the schedules, let us ascertain what this relief really amounts to.

The largest relief by far is given under Schedule B—*Farmers' profits**—the tax rate in England and Wales being specially reduced in their favour, 55½ per cent. below the general rate, and in Scotland and Ireland, 65 per cent.

This reduced tax rate, it is true, is charged on gross rentals in Great Britain, and on rent valuation in Ireland, but these are no criterions whatever as to the gross or net profits of farmers.

The relief is sufficiently large not only to cover the loss landlords might sustain from their lands being mainly assessed at their gross rental, but also to afford ample relief to the tenant farmers who are charged on their gross rentals.

But for these large concessions it is quite probable that farming rents would not have maintained their price so long.

The abatements on the other schedules are :—

Schedule A—Profits of Lands; for Parish Rates on Tithe Rent-charges, for Land Tax, for Charitable Institutions, Repair of Sea Walls, and a few other smaller items :—

Schedule D—Profits of Trades, Professions, and certain concerns connected with land, railways, canals, &c.; for wear and tear of machinery, plant, &c., premiums for life assurance, and bad debts :—

Schedule E—Pay and Salaries, Public and other Offices, &c.; for premiums for life assurance, and travelling expenses to and from offices.

The deductions allowed under these last three schedules taken together, are but of small moment, very slightly reducing the intensity of the tax incidence in these particular cases, but largely increasing the volume of inequalities and differences, and so confusing tax incidence.

A Table (p. 78) shows the effect on gross assessments of such of these special abatements as are not granted alike to taxpayers in all the five schedules. Other deduc-

*Since these remarks on Schedule B were written, Farmers have been put on the same footing as other producers and manufacturers, and since April 1887 are assessed on their *Net Profits*. If duly returned, it is very questionable whether the net profits will, in any but exceptional circumstances, ever fall below the rates of the previous assessment.

tions from gross income will be specially noticed presently, when dealing with the ninth main objection to this tax.*

Objection II.

The tax does not discriminate, as it rightly should, between income involving scarcely any labour and exertion on the part of the receiver, and income the direct and sole result of the labour and exertion of the earner.

Let me illustrate this :—

A is a shareholder in a Waterworks Company, say the Kent.

B is a young surgeon.

A owns £4,000 of the above stock, yielding him at 10 per cent. an income of £400 a year, and he pays £10 Income Tax on it, at 6d. per pound, or $2\frac{1}{2}$ per cent.

* The *special* allowances, abatements, &c., granted on each Schedule, distinguished from those common to all the Schedules alike, are shown in the form of percentages of such assessments on the gross assessments of each Schedule for the year 1884-5. The calculations are based on the figures of the Assessment Tables for that year, given in the Appendix to the Inland Revenue Report of 1886—pp. xx. to xxiv., except as regards Schedule B, of necessity partly estimated.

Schedule.	Special Allowances, Abatements, &c., granted on each Schedule, but not common to them all.	Percentage on the Gross Assessment.
A. — Lands, Tenements, &c.	For Land Tax, Sea Walls, &c., Ecclesiastical deductions, Repairs of Churches, Parish Rates on Tithe Rent-charges, Charities, and other Deductions and Fractions in levy	2.57
B. — Farmers' Profits.	The tax rate is $56\frac{1}{2}$ per cent. lower than the usual rate in England and Wales, and is 65 per cent. less in Scotland and Ireland, but Rental is the practical basis for Assessment in Great Britain, in Ireland, Rental Valuation; the real advantage gained by Farmers is thus obscured, but averages probably about 50 per cent. Fractions in assessment and levy	? 50.0 15
D. — Trades & Professions, Railways, Quarries, Mines, Iron-works, Gas, Waterworks, &c.	Life Assurance Premiums, Wear and Tear of Machinery, Plant, &c., Bad Debts ... Life Assurance Premiums, Wear and Tear of Machinery, Plant, &c., Bad Debts ...	1.20 2.03
E. — Salaries, Fees, &c.	Life Assurance Premiums, Travelling Expenses to and from business by rail	2.86

B earns £400 a year from his practice, and also pays £10 Income Tax on it.

When B notices the injustice of this taxation it is no sufficient reply for the Revenue Officers to say: "Your income will pay no more tax after your death, but the Water Company Stock will go on paying income tax on the income yielded after A's death."

Such a reply would clearly be an insult added to the injustice.

Nor would *this* reply be any wiser: "Your property resides in your education, skill, and various requirements, gained by years of study, &c., and you pay on the value of this, of which your income is the best index."

But here it is quite forgotten that a tax has already been paid for this, in the young man's energy and application, to say nothing of the cost of his general and special education, &c.

So that the Income Tax becomes simply an exaction upon his past and present industry and exertion; a positive penalty he has to pay for it, while no attempt is made to find out and tax the labour and exertion of A.

Let us now view the matter from another standpoint, as if the tax fell on *property*, and not on income, and the injustice will be more clearly seen.

We will suppose A and B each to possess property in the shape of furniture, &c., of equal value, and exclude that element from both sides of the comparison.

A, then, possesses Waterworks Company Stock worth £10,200,* and pays £10 Property Tax on it, about 1s. 11½d. per hundred pounds, or not quite a farthing in the pound.†

B has no property; for the possible asset of the "goodwill of his practice" is a speculative value at best, like a man's life—quite unsuited to serve as a basis of assessment for taxation, and, moreover, in the case given, would practically be worth nothing.

B, however, has to pay £10 Property Tax, the same sum as A, whose property to the value of £10,200 is protected for

* Valued at the medium price of the Stock in London, 7th January, 1888.

† In 1853 Dr. Farr, the eminent statist, computed that the annual charge for Income Tax on Landed property, valued then at 30 years' purchase, the tax at 7d. per pound, was not quite two shillings per cent.

him by the various institutions for government—Army Navy, Police, &c.

Moreover B, to earn his £400 a year, has to incur much expense, to keep up his practice by constant exertion and study, and the £900 or £1,000 originally spent on his medical education cannot be ignored.

He has also to provide for the future when his power to maintain his income will begin to fail and pass away, and he may have objections to the speculative method of life assurance to secure this provision.

A has no such obligations, nor necessarily any such expenditure, and his time, income and energies may be spent in such a way as to yield no advantage to the Tax Departments.

The *income itself* of A and B must next be treated in the aspect of property in possession.

A has £200 paid him each half-year with no exertion on his part, and he can gradually expend this sum on his needs, and hold an average balance at his bankers' of £80 at least, which, viewed as additional property protected by the State, further reduces the insignificant rate of his taxation.

B on the contrary has to pay away his income as fast as it comes in, irregularly, chiefly about Christmas; credit has therefore to be obtained for his supplies of food, clothing, &c., and higher prices paid in consequence.

It is absolute mockery to say there is equity in taxing these two men alike—£10 each.

M. Du Puynode, the French economist, when arguing that a tax should be laid on the net products of wealth alone, goes on to say that salary, &c., is only the daily pay of exertion, that there is no capital in it, that it affords no basis whatever for a tax, and is only a revenue, and the most inconstant revenue of all.

Objection III. The tax does not distinguish, as it should in equity do, between income—purely income, and income—merely the repayment of capital, such as Annuities for terms of years, where interest and return of capital are merged together in the same payment for so many years.

This injustice seems inherent in every form of tax on income, and may be regarded as a standard test and proof of the impropriety of selecting income as a basis for general taxation, as

some would propose. Claims for abatement on the ground that a portion of income is simply a return of capital expended, and not pure profit, may be raised under each of the five Schedules.

The Revenue Department recognises no reason for remission of the tax in any such case. Were the question one of mere arithmetical calculation and legal argument this official principle no doubt would be correct, but it quite ignores the questions of equity and ability to pay; and even its arithmetical correctness may be challenged when changes in the tax-rate occur within the interval of time embraced by the whole transaction of capital advance and repayment in the shape of annuity.

This form of tax admits of the irregularity of taxing parts of an original income twice or thrice when distributed again as income to others, in fact this double or treble taxation of income in the same year *must* frequently occur. Examples of this are given in Somer's collection of Essays on Taxation, No. XI.—p. 80. Mr. John Stuart Mill's objection to the Income Tax is somewhat akin to this, namely, that savings from income are twice taxed as income, and thus the tax tends to discourage savings, a position supported by a different train of argument by Mr. Ricardo, the Stockbroker and Economist, who singularly enough maintained that savings were not proper subjects of taxation, though it may be concluded that he meant that savings in the shape of stock, &c., should not be the only property subject to such taxation. Mr. Pollard Urquhart, in 1862, pointed out that insurance and similar financial bodies paid the tax twice, first on the interest from their investments and afterwards on their net profits, and this view will be found to a certain extent correct.

These objections are not properly met and remedied by the financial device of postponing the tax levy in certain cases till the last quarter of the fiscal year.

Incomes *in kind*—not money, but money's worth, are practically ignored by the Revenue Authorities, so far as any arrangements are made for ascertaining them or testing the returns of income. Serious under-assessment of profits must result from this in agricultural and other businesses connected with production and manufacture, and even in trading concerns

where true profits can be easily dealt with, in enlargement of premises, purchase of new stock, &c., and be so manipulated as never to enter the "*Profit and Loss*" account in the way they should.

Farmers, not keeping account books, appear as much at sea about their profits as the Department which has to assess them. To found any assessment on their rentals, or half rentals, is quite absurd, for agricultural gains depend chiefly on individual skill, judgment, and wisdom, in anticipating or remedying adverse influences of weather, &c., on their produce, or in improving to the utmost the advantages yielded by knowledge of nature and art; and, as I have already said, their gross earnings or net profits bear no relation whatever to their rents, especially where there is any enterprise and energy, and technical knowledge and skill, possessed by the farmer. Many years ago, Mr. B. Sayer, Under Secretary of the old Income Tax Office, estimated that there was more evasion in regard to farmers' profits than in those of any other Schedule.

In reply to some complaint in the House of Commons made by a County Member respecting the assessment of farmers to Income Tax under Schedule B, a late Chancellor of the Exchequer replied, that farmers might, *if they liked*, be assessed in respect of their business profits under Schedule D—*Trades and Professions*. The full extent of the grim humour contained in that reply could only be realised by farmers and the revenue officials, and may now be more popularly gauged by the very small number of farmers who have accepted the offer.

Undoubtedly, landowners, as well as their farmer-tenants, have been greatly favoured under these Schedule B assessments, as the evidence given before Mr. Hume's Committee in 1851 clearly demonstrated.

However, since April, 1887, farmers, *whether they like it or not*, are assessed on their net profits as in the case of Schedule D; but I am not aware that the Revenue Department, in consequence of this change, has made any special arrangements to secure correctness in these assessments.

Objection VI. Incomes from certain properties and funds in the United Kingdom belonging to foreign owners or British owners domiciled abroad are taxed here, whilst incomes received by British subjects at home from funds and properties in foreign countries

and the Colonies are also liable to this tax. Both *the source of the income* and *the receipt of the income* are thus taxable, though in the first case the capital is protected here and the income enjoyed abroad ; and in the second case, the capital is protected by a foreign power and the income is enjoyed here.

Foreigners escape the tax in this last instance, but not so our Colonial fellow subjects, who are mulcted on their dividends payable here.

By the incidence of the Income Tax on that part of Schedule D consisting of income from Colonial Stocks payable in the United Kingdom, an indirect contribution from certain Colonies is obtained, though limited in its extent ; for the liability of such Stocks to this tax must affect the price at which the Bonds are issued or circulate in the Stock markets of this country, and so must cause a reflex action upon the Colonial Governments' finances, for they, to that extent, cannot raise money on such favourable terms on their Securities.

There is next the objection, far from being an unimportant or sentimental one, that the tax being assessed on *profits or income*, instead of on *property*, exposes the circumstances and details of private businesses. Objection VII.

A man naturally objects to the particulars of his income or profits being recorded in tax officers' documents and books, with the great probability of their becoming known to others, and reflecting as such information might do, and no doubt often does, in one way—*on the enviable nature of his profit sources inducing competition* ; in another way, *on his carelessness, indolence, incapacity, &c. ; and in such and other ways affecting his public credit*. He does not so much mind the amount of his *property* in a locality being known, in fact he will sometimes boast of it ; but, on the subject of his true gains and losses, and net profit, he is, as a prudent man, much more reticent and sensitive, and reasonably so, considering the keen competition there is now in every form of profit-earning.

The argument of the Inland Revenue Commissioners that this complaint is largely remedied by *taxing profits at their sources* scarcely touches more than the fringe of the objection here stated.

Incomes below £150 a year are wholly exempt from this tax, whereby great inequalities in tax incidence are created, Objection VIII.

this exemption, in proportion to the higher tax-rate and the lesser ability to pay it, further acting as a most direct incentive to evasion on the part of those legally subject to the tax.

In connection with this matter it must be remarked that adequate measures do not seem to be taken to apply the tax to incomes of £150 a year and upwards derived from handicraft labour, and labour and small capitals combined, such as those of skilled mechanics, artisans, and traders and manufacturers on a limited scale, many of which classes must escape the tax, though liable to it.*

An obvious result of this exemption is, that the great mass of our fellow subjects, entitled under recent legislation to equal weight in respect of their political votes as their richer brethren, may find it their interest, when increased taxation is needed for the public safety or honour, to insist on the rate of Income Tax being raised, their own class being exempt from its incidence.

This was noticed by Mr. Babbage as a dangerous element in the year 1848, it is a far more serious one now.

Objection IX.

The allowance granted to incomes ranging from £150 up to £399 a year of exemption to the extent of £120 on each, creates 250 different rates of taxation on those incomes, gradually increasing from 10s. per cent. on the £150 incomes to 1½ per cent. on the £399 incomes, after which a sudden upward leap of 43·37 per cent occurs in the tax-rate, the £400 incomes suffering the full burden of the tax without any such abatement. At all these stages, especially the last, there is again a *distinct incentive to evasion offered by this graduated or progressional system of taxation*, to which principle, when suggested in the abstract, the Inland Revenue Authorities would appear to be quite opposed, on account of "*the enormous temptations to fraud which a tax so levied must present*," &c. &c.† These abatements under Schedules A, B, D, and E amount to 8·45 per cent. of gross income.‡ The amount under Schedule C does not appear in the Return.

* These classes are made to contribute in Germany by means of a special tax—the *Klassen-steuer*; in France, by a somewhat similar class or grade tax—the *Patente tax*.

† The 28th Report of Inland Revenue Commissioners—page 85, 3rd paragraph.

‡ Calculated from the amounts shown on pp. xx.-xxiv. of Appendix to Inland Revenue Report, 1886.

Probably too much weight should not be attached to arguments against this tax based on its *immoral tendency*, but these inducements to fraud offered by the graduated rates, the one highly progressive rate of tax and the exemption of incomes under £150, are not essential features of the tax. Evasions of the tax.

Generally speaking a man that would defraud the State in one way would probably do so in any other way if he had the opportunity; but the practical objection is that the particular abatements and exemptions just noticed offer as it were a premium on deception, in fact absolutely invite it.

The Revenue Authorities too, in defending so zealously this tax with its numerous opportunities for fraudulent evasion, seem to some critical minds to range themselves on the wrong side, for the names of the knaves detected in such practices are not allowed by the Authorities to be published. Such sharpers evade the tax entirely, or in less degree in proportion to their hardihood and cunning; whilst the high-minded and conscientious have to make up the deficiency by paying a heavier rate of tax in consequence.

Mr. Holloway remarked on this point, that "it is no exaggeration to say that the charge upon industrial incomes (for income tax) is lowering the moral standard of Englishmen to an extent that is truly lamentable, destroying truth and integrity in tens of thousands by insuring a certain reward to dishonest returns; that is, at one and the same time, placing an encouragement upon vice, and a ban upon virtue." *

The great extent to which fraudulent evasion of the tax is carried, is by many thought to be a clear proof of the false principle of the tax, by others to be merely an indication of imperfect or injudicious administration of the tax. Mr. B. Sayer, an Under Secretary of the Old Income Tax Office, in a work published some years ago, threw much light on the nature and sources of these frauds, and the schedules in which they mainly occurred; and the Official Reports of 1869 and 1870, further drew attention to the serious evasions taking place chiefly under Schedule D—*Trades, Manufactures, Businesses, Professions, &c.* The general public about that time (1869–70) were afforded a glimpse of the wholesale character of these evasions by the

* "Civilization, Taxation, and Representation"—London, 1867. 8vo—page 110.

publicity given to certain claims for compensation for compulsory removal of business premises to effect street improvements in London.

The incomes sworn to in the claims exceeded by more than 500 per cent. those returned to the Revenue Officers for taxation.

It may also be noticed that Ireland, with less than one-seventh of the population of the United Kingdom, pays only one-twenty-third part of the Income tax.

It is an unquestionable fact that, if exemption was extended to all incomes in the United Kingdom returned as under £400 a year under Schedule D, Part I., *Trades and Professions*, in 1883-4, only 76·466 taxpayers out of 447·768 assessed would remain on the lists, or about 1 in 6! There seems ample material for reflection in these figures to a Chancellor of the Exchequer, and the returns of later years, if made public, would, I believe, show even stranger results. The Inland Revenue Report of 1869 divulged the fact that frauds and under-statements of income were so general under Schedule D, that it might reasonably be estimated that in one year the tax was evaded on £57,254,997 of income. What is the amount of such evasion now?—may well be asked.

Exemptions.

Respecting exemptions from this tax, it may be as well to preface the few remarks I have to make by quoting two leading propositions laid down by that eminent American Statesman and Financier, David A. Wells, in regard to this subject. Firstly, “Any *Income tax permitting of any exemption is a graduated Income tax*; secondly, *a graduated Income tax, to the extent of its discrimination, is an act of confiscation.*”*

The exemption of incomes under £150 a year has already been noticed.

The other exemptions under the various Schedules, such as those to the Sovereign, the Universities, the Public Schools and Colleges, the Hospitals, Charitable Institutions, &c. &c.†, create further large and numerous inequalities in this tax, and make any attempts at estimating the relative taxation of individuals and classes exceedingly difficult, if not impossible, and thereby directly tend to unjust taxation.

* Quoted by Francis A. Walker in his work on “*Political Economy*”—London, 1883—p. 449.

† Deposits of the Public in Post Office and Trustee Savings Banks invested in the National Debt, are exempt from Income Tax.

Untenanted lands and houses are naturally exempted under an *income* tax, but, all the same, they are property protected at the expense of the general community, though for the time yielding no profit or income *in the form of money* to their owners, and consequently other incomes have to supply the deficiency, in accordance with the fiscal maxim that *one man's exemption is another man's extra taxation*.

The cost of raising this revenue is most moderate, and perhaps it is this consideration mainly, that recommends the tax so much in the regard of the Tax Department.

Cost of collection.

Moreover, when the tax-rate is increased, the percentage of cost falls materially; the larger revenue involving but little more expense in its collection.

And this reduced cost is further assisted by the poundage rate allowed to certain collectors being reduced, when the emoluments exceed defined limits.

The cost of raising the entire Inland Revenue for the year 1884-5 is stated in the Official Report as £3. 10s. 9½d. per cent.* Out of this sum the cost of Income Tax collection cannot exceed one per cent. when the tax-rate is at 6d. per pound; for the cost of raising the Inhabited House Duty, the Land Tax, the Stamp and License Duties, and, especially, the Excise Duty—must evidently much exceed that of collecting the Income Tax.†

The revenue returns afford no clue to the separate cost of each.

Viewing the tax in its general incidence, it can be regarded only as a distinct confiscation of the earnings of industry and exertion, whether those of the learned professions, the army, navy, or civil service, the workers in the fields of science and art, or of business and manual labour and handicrafts, who loyally meet the State's demands on their fleeting incomes, having

The tax more generally viewed.

Its incidence.

* Inland Revenue Report, 1885—Appendix C, p. 139; but the percentage of relative cost would probably be some shillings higher were the interest on estimated value of freehold and other long tenure property, house duty, and full rates, be added as charges, as they rightly should be, accurately to gauge the relative cost of this and other forms of taxation.

† Professor Leone Levi stated the cost of the several branches of Inland Revenue in 1858-59, thus: Excise, 4 per cent.; Stamps, 2½ per cent.; Assessed Taxes, 4½ per cent.; Income Tax, 2 per cent.; but great reforms and simplifications have been introduced since then, and, moreover, Licenses are classed with Excise. In the year ended 5 Jan., 1815, the old Income Tax cost £1. 19s. 8d. per cent. to collect.

neither the leisure for, nor perhaps the means of, exposing the flagrant injustice and grave impolicy of this tax as it affects them individually.

Actuaries and others accustomed to careful analysis and computation of financial facts seem generally of opinion that income is not by itself a fair basis for taxation, and must be considerably qualified before it can be fairly assessed; and though some witnesses of this class before the Income Tax Committees were betrayed into proposing schemes of their own, calculated on the values of average lives and various kinds of income, &c. (natural with men daily occupied in such questions, however ill adapted such speculative values must be to serve as bases for taxation), yet they almost unanimously concurred in condemning the principle of the Income Tax.

Its correct
and just
assessment
impossible.

The difficulty is to find any sure and solid basis for assessment in such a shifting, uncertain, involved element as a man's true income; for example, in Schedule D alone there are at least six different methods employed in assessing the tax payable on various conditions and kinds of income.

The simple fact of the matter appears to be this: that *income, if gross income, is an utterly unfair basis for taxation; and if net real income or profits, it is an utterly impracticable basis for it.*

The tax being assessed on income instead of on property, there is also a greater chance of evasions in cases of incomes of minors accumulating till they come of age.

Taxing the
interest paid
on the Na-
tional Debt.

This plan of taxing income has landed the Government in the obvious impropriety of deducting income tax from the interest it pays for loans borrowed by itself; that is, the debtor taxes the creditor upon the interest received for his loan! "*Preposterous!*" said Mr. Joseph Hume in discussing the matter.

The charge is none the less objectionable because in this case the debtor is in the unwonted position of being able to *enforce* the payment of it.

A distinction is indeed made in not exacting the tax from the public funds held by foreign Ambassadors resident here, for it would really look too bad to do so. The property, for which a man under ordinary circumstances rightly pays the State for its protection, is borrowed and taken into possession

by Government, and soon is represented by buildings, fortifications, guns, ironclads, land, &c., the only proof of his right to the value lent being an inscription of his name on a record of debts, and yet he has to pay tax on the interest received for the use of the money he lent, the tax so imposed on him actually providing in a large degree the revenue needed to pay such interest to himself! *

Mr. P. Urquhart well exposed the unbecoming character of this charge, comparing it to a Mortgagee being taxed to assist his Debtor to pay the interest on the sum lent to the Mortgagee †; but the theory of an income tax logically requires that this course should be followed.

It must be observed that no tax has raised more general and violent hostility to it than this one. The expression "*Ce tribut détestable*" of the noted French economist *Du Puynode* finds a corresponding echo in the language of other European nations that have suffered from an income tax. In the United States they will not endure one. M. De Parieu in one of his works relates that a German Prince said in his presence "the French have suffered too many revolutions to have an income tax." A recent attempt at introducing one has been ineffectual.

Constant hostility to Income Taxes wherever and whenever imposed.

The City of London, in 1802, publicly demanded the repeal of the Income Tax as inquisitorial, hostile to both morality and liberty, hurtful to commerce, and unjust by the confusion arising between certain and precarious incomes, and these reasons were reproduced in 1812 and 1816. I have already referred to the intense antipathy felt against the tax about those times; yet the same principle remains in the present tax, the great difference being that the rate is not so high now as then (1816), namely, 10 per cent.

It is probably owing to promises of reductions and to the rate of the tax being kept low that the British public has been induced to suffer its crude injustice so long.

A further increase in its rate would doubtless be the signal for more strenuous efforts to get rid of the tax altogether.

It has been well remarked that "*a just Income Tax would*

* Under the Land Tax Act of 1697, interest on Loans to "His Majesty" the King was exempted from taxation.

† "Dialogues on Taxation," by P. Urquhart, M.P.—page 71.

require angels for Commissioners and, further, angels for its collectors."

De Parieu on the principle of taxing net incomes.

I will conclude by stating the opinion of *M. De Parieu* on the principle of taxing net incomes.*

"The basis of this theory (identical with that which attempts to distinguish in the means of an individual the superfluity in excess of his needs) consists in endeavouring to effect by taxation a perfectly and absolutely equal contribution from each taxpayer. I oppose to this principle a double objection. A rigorous application of it is impossible, and it necessarily involves a deviation more or less from the principle of an income tax.

"To attain the desired result in accordance with the spirit of the theory it would be necessary to ascertain as matters of fact the family expenses, the chances of life, in short, all the infinite details which cause differences in the nature of the property and the expenses of the contributors. The first steps taken in this exact calculation of all the refined elements affecting the means of an individual would lead to the discovery of an abstract and singularly complicated value, having relation at one and the same time to the capital, the income, and the necessary expenses of the taxpayer."

The above is in fact the process that would really be necessary in order to assess with justice each true net income, and establish a basis for its equitable taxation; and such a *system* would seem to be beyond the capacity and proper sphere of inquiry of any Local, Provincial, or Imperial Governing Body.

This is the last of the Imperial taxes, but before proceeding to deal with *Tithes and Teinds*, which hold a mediate position between Imperial and Local Taxation, I must notice some other revenues included in the Imperial Budget, not, strictly speaking, taxes, but which under certain conditions might partially assume the nature of taxes.

* "*Traite des Impôts*"—p. 495 (the passage is translated by the present writer).

OTHER IMPERIAL REVENUES,

NOT PROPERLY TO BE REGARDED AS *TAXATION*.

The Post Office and Telegraph Revenues are, under ordinary circumstances, to be viewed as simply repayments for specific services directly performed for such of the general Public as need them, the tacit understanding between them and their Agent—the Government—being, that such services are to be conducted as nearly as possible at cost price. But a net profit of £2,931,728* in 1884–5, and some such sum for many preceding years, has been going on, and this may rightly be regarded as taxation, perhaps as *unwise taxation*, considering that foreign nations are establishing much cheaper postal and parcel communications with our Colonies and foreign nations having commercial relations with this country, and in some cases superseding our Mail Packet Services in their accustomed lines of operation.

Postal and
Telegraph
Revenues.

In other words our Postal and Packet Service is being starved, and the nation taxed to supply revenue for other services than that to which it should properly go.

The rate of postage, &c., too, between most of our Colonies and dependencies and this country, might possibly be reduced with advantage.

The Woods and Forests Revenues, the Hereditary Revenues of the Crown, and other like receipts in the nature of Rents, may be converted into taxes by being forced upwards into rack-rents. Both public and private Royalties, Way Rents, &c., payable in respect of Mines, and the output of mines, are very susceptible of this process, and such fixed charges may, under various circumstances, become an intolerable hindrance to enterprise, and the employment of labour in a district.

The Crown
Revenues,
Royalties, &c.

* See Statistical Abstract —p. 13 ; but the Appropriation Accounts, Civil Services, &c., show (pp. 548-57) that the net revenue from Postal and Telegraph Business, after all final charges were deducted, was only £2,583,232.

Profits from
State con-
trolled Busi-
nesses.

Then there are certain profits derived from businesses in which the State acts as Controller, if not as "Sleeping Partner" such as the Bank of England Note Issue Profits, Trustees' Savings Banks' Profits, and the net profit from the Patent Office Fees after deducting the expenses of the Patent Office.

The same remark applies to these last named profits, as to the excessive Post Office profits, for it is very questionable policy to derive so large a gain as was made in 1884-5—£48,485—from those unfortunate people who are inventors, and take out patents for their inventions.

Fees and
Official
Charges.

There is next a long list of fees received in the Courts and Offices connected with the Legal, Civil Service, and certain Local Government Offices in the nature of repayments for definite services or advantages, directly, or presently, to be rendered to the suitors or other applicants for such services.

If these services are obligatory, but really useless and unnecessary, payment for them is of course nothing less than a tax; but presuming that the services *are* really valuable, and the fees or charges reasonable and fair, and that the services could not be as satisfactorily, and at less cost, supplied by other agency, of course they cannot be so regarded.

Other Re-
ceipts in the
form of
Credits to
Expense Ser-
vices.

There are many other items among the Miscellaneous Receipts, which are nothing else than credits to the services with which they correspond, and they one and all should be dealt with in the same way as Extra Receipts to the credit of the Army and Navy Budgets are treated, by creating a Civil Service Budget with its various votes, and estimates of probable Extra Receipts and Repayments.* Interest received for Loans to Local Bodies has lately been eliminated, and in future will appear in its appropriate place.

There is an anomaly in a matter of account that may be noticed here.

Irregularity in
respect of the
revenue from
Bankruptcy
Fee Stamps.

The amount of revenue from Bankruptcy Court Fee Stamps, England, is not paid into the Exchequer and shown in the Finance Accounts like the other Fee Stamps are, but, in rather an obscure fashion, is paid into a separate suspense account kept by the Paymaster-General; and the Board of Trade, by requisitions on the Treasury, draw upon this suspense account

* Some arrangement of the kind seems now to be in course of adoption.

to defray the expense of the Bankruptcy Business Branch of that Department. Fees paid in cash, and interest on investments, follow the same plan, and are not brought to account as revenue, though they appear in the account furnished to the Comptroller-General of the Exchequer and Auditor-General of the Public Accounts.

A surplus of fees above expenses, to the extent of about £35,000 net, appears thus to have been received in 1884-5, according to the Appropriation Account.*

These arrangements, sanctioned probably for some excellent reasons, by Section 77 of the Bankruptcy Act of 1883, seem open to the objection that the facts of the matter are rather concealed from the view of the public, for the Appropriation Accounts, from their bulkiness, cost, and late publication after the actual transactions they record, are but little consulted by the public.

* Civil Services—pages 115-16.

TITHES, TEINDS, AND TITHE-RENT-CHARGES.

Tithes, &c., intermediate between Imperial and Local taxation.

Brief outline of the history of Tithes.

These *taxes*—for they are in every sense taxes on the produce of lands—occupy in the general system of taxation a position between *Imperial* and *Local* taxation, being “Imperial” as regards their width of area and their administration on a somewhat uniform plan; and “Local” in respect of the application of the revenues, for the most part, to the particular parishes where they are levied.

In the manner these imposts are now assessed and levied there is much resemblance to a Land Tax, more especially as regards those portions which are converted into a *fixed* charge on land.

A brief sketch of this impost seems desirable (as in the case of the Land Tax) in order rightly to comprehend the true issues of the question, and enable a right judgment to be formed on the much debated problem of how to abolish, without injustice, this inconvenient and impolitic form of taxation.

Blackstone refers, in his “Commentaries,” to the fact, that Charlemagne established Tithes in France A.D. 778, *the revenue thus derived being applied in four portions, (1) to maintain the edifice of the church, (2) to support the poor, (3) the Bishops, (4) the Parochial Clergy.**

As Dowell and several other writers on taxation show, this arrangement was followed on the introduction of Tithes in these islands.

In much the same way as ancient taxation in the form of Feudal Services, Knights’ Fees, Hydage, Carucage, Scutage, Tenths, &c., and their ultimate representative, the Land Tax, served for making *warlike provision for the Kingdom*, did Tithes, in very large measure, provide for *what are now expenses of provincial and rural civil government*, these for many centuries being chiefly under the control of ecclesiastics, the

* “Blackstone’s Commentaries,” by Kerr—Vol. II., pp. 2-3.

Bishops exercising power then in a much more extensive sphere than in later years.

Tithes seem originally to have been contributions *in kind* by landholders, and in their earliest form were probably viewed as gratuitous subscriptions for the services of the ecclesiastics.

But gradually they became customary, and as a matter of convenience, the landholders made payment of them in money instead of produce, and a monetary charge on the land was thus speciously created.

After the system of granting leases was introduced (during the Crusades), and gradually became a general custom, the landholders found it possible to shift the payment of these tithes on their tenants, the increased value of land inciting them to this and other forms of rack-renting.*

Thus tithes assumed more nearly the form and character of a general tax.

The civil local expenses of those days were confined mainly to imparting religious and secular instruction to the community, to keeping the Cathedrals and Churches in repair, and providing for the infirm and helpless poor.

When the Bishops became, by means of special endowments, independent of tithe income, the application of the tax was confined to the three remaining objects of expense—*Church repairs, Poor relief, and Clerical stipends*; but no reduction in the amount of tithe payable appears to have been made in consequence of this relief to tithe funds, and by subsequent laws the payment of tithes to the parochial clergy for these three purposes was confirmed, though up to the year 1200 payment was not limited to one particular priest in each parish—the rector.

Reference is made by *Dowell* to a statement in a Parliamentary Roll of Henry IV., A.D. 1425, as to its being *then* an

* An allusion to this rack-renting, in the time of Henry III., is made by Madox in his History of the Exchequer, and as likely to be of interest just now, I quote the passage. He says:—"The King came to the Exchequer with his Council, where all the Sheriffs were assembled, and there, among other instructions for good government, said: 'they were to diligently enquire how the great men carry themselves towards their tenants, and if they find them trespassing, that they amend the trespassers as far as they are able, and if not fully able—to show trespassers to the King. Not to allow of rack-farms, nor let them to any but such as would deal justly with the people.'"

"Oold custom that thyrd parte of the goodes of holy chirche shuld be spendyd within the parache, opon the pore and the nedy of the parache." *

Owing, perhaps, to the absence of any proper controlling power, the strict application of the tithes to these particular objects became neglected, for in time they seem to have been regarded merely in the light of personal dues of the parish priest, for which he was accountable to no authority, though the payments from the Tithe fund were clearly applicable to Church and State purposes, and of this fund he was the authorised custodian and dispenser.

This want of stricter legal obligation in respect of the Tithe funds and their local application led to grave irregularities in course of time.

Religious and Collegiate Bodies introduced the practice of purchasing benefices with the right to tithes attached, and then appointing a nominee of their own body to discharge the duties of the benefice at a rate of payment small in comparison with the revenue derived from the tithes.

These Bodies soon became exceedingly wealthy from this system of jobbery, and by acquiring in other ways estates in various parts of the Kingdom.

The appropriation of the estates of many of these wealthy Religious Houses by Henry VIII., followed by his bestowal of them to laymen, further altered the character of the tithe system, and this summary method of restoring and augmenting the State revenues provoked the device of selling the tithe income to laymen, this objectionable practice coming into prominence then, probably being adopted as a defensive expedient by the Religious Bodies. The growth of dissent must also be reckoned as a disturbing element which came into play somewhat later on, and rendered the tithe taxation more objectionable and incongruous.

Tithes in time came to be regarded in the light of assessable debts merely, chargeable on the varying annual quantity and value of the produce of certain lands, for the Commutation laws enacted in England, Scotland, and Ireland, gave them

Commuta-
tions and the
creation of
*Tithe rent-
charges.*

* "Sketch of the History of the Taxes, &c., in England"—S. Dowell, 1876—*Tithes*, p. 311, Vol I.

more fixity of character by establishing in the three countries a money payment in lieu of payments *in kind*.

This money payment was termed a *tithe rent-charge*, but it is really a very different thing to a rent-charge voluntarily made by a landowner on his estate, for tithe *taxation* has, during its long continuance, always experienced sturdy opposition and hostility on the part of many of those affected by it.

Much the same powers of distress on tenants are given in cases of non-payment as are granted to landlords in respect of their rents.

The present tithe system and "tithe-owners."

In addition to the rectors and the Ecclesiastical Commissioners, many laymen and lay associations claim considerable revenues from the tithe rent-charges on their "tithe property," for now we are accustomed to the expression "*tithe-owner*."

The expression "income tax owner" would sound strange even in the mouth of officers of that branch of the Revenue; but were it possible to deal with that tax on similar lines to *tithe taxation*, the term would come to be quite as appropriate.

There are large exemptions in this tax in respect of lands held as Crown Property, Church lands of various kinds, &c., causing wide inequalities in the incidence of the tax.

Exemptions.

The two chief objections brought against the tax are on the grounds of *non-benefit* and of *interference with producers*.

Two chief objections to the present tithe system.

With regard to the first objection, the remedy proposed of making tithes by law payable by the landowners, leaving to them the needful adjustment of their tenants' rents by increase or otherwise, would certainly tend to remove the religious objection now felt by tenants to paying for services neither accepted nor required, their spiritual wants being provided for by other pastors than the parish priests.

But the second or economic objection remains; for the mode of assessment of tithes in England affects the net profits from cultivation in different degrees over the land, varying with the nature of the crops, the soil, the price of labour, &c., and thus is prejudicial to the free course of agricultural industry, especially in the case of the extraordinary tithes, which are not on the same footing as the greater tithes on corn, hay, &c.,

Farmers, too, consider that there is much injustice in the system of assessment on average prices, based as they originally were in 1836, on rates of profit very different to those now

possible ; that taking *seven years preceding* for the average of prices, acts most adversely on their profits in times of depression and low prices ; that the particular stage of trading fixed for computing the average prices, the limited number of markets and the special ones selected, also the particular kinds of produce alone subject to the valuation—all operate unfairly and prejudicially to their interests in this computation, which further takes no account of inferior kinds of produce used now as fodder, &c., on the farms, but which, at the time the averages were first taken, were sent to market and thereby reduced the average rate of rent-charge.

The Tithe Commutation Acts of 1836–7–8 improved in many respects the character of Tithe assessments, but it was the reduction of some 25 or 30 per cent. in the amount of tithe payable that made the measures then so acceptable to farmers.

The tithe rent-charge in 1836 averaged about one-fifth of the rental ; now it is about one-half of it, and often more.

The Scotch teinds were commuted on a more stable and equitable principle, for the rent-charges were each year assessed on the basis of the average prices of produce of the preceding year, practical agriculturists being the assessors, and moreover, the landlords were held to be legally liable to pay the teinds so assessed.

Landlords in England and Wales had also the legal obligation imposed on them of paying the tithes, but no penalty seems to have been provided in case of non-performance, so that, by private contract with their tenants, they have very generally contrived to escape the obligation.

Extraordinary
tithes and the
Act of 1886.

The Extraordinary Tithes Act of 1886 has put an end to the creation of that impost on any lands not subject to such tithes in June of that year ; it also makes provision for their redemption, but it is legislation of the permissive type, and is productive of little more than negative results I believe.

Some of the extraordinary tithe rates seem excessive ; for instance—20s., 22s., 30s. per acre of Hops are charges sometimes made in certain counties ; 6s. to 10s. per acre of fruit ; 5s. to 12s. per acre of market garden produce.

These charges must affect profits from such lands adversely, when produce from untithed lands comes in competition, for the

trouble and waste of time occasioned in assessing the tithes must be considered as well as the actual money charge.

The incidence of tithes naturally falls on landowners and farmers in proportion to the amount of capital engaged by them respectively in the industry ; but with improving rents and land values, landowners may shift the payment on their farmer tenants, and these again can shift them on their labourers, &c., in the shape of reduced wages, &c., during a glut of labour ; but considering the competition of tithe free lands in England and Wales, the proportion being 8 free to 20 tithable, it is not likely that consumers suffer from this tax, especially as there is complete freedom of trade now as regards all agricultural produce imported from abroad.

Incidence of tithes.

The cost of collection is naturally very great from the character of the tax, and it is especially so in cases of opposition to its collection, as events daily occurring in Wales now (January, 1888) are proving. I can find no estimate of it.

Cost of collection.

The total amount of tithe rent-charges, of extraordinary tithes, and of profits from lands granted in lieu of tithes, in England and Wales, has been computed to be about £5,000,000, but nearly £1,000,000 of this arises from assigned lands.

Amount of the tithe taxation.

In Scotland the income from the Teinds amounts annually to about £250,000.

The true net taxation of Great Britain by Tithes I estimate at £4,250,000.*

Since the disendowment of the Irish Church in 1871, the tithe income may be ignored, but the capitalised amount of it was about £9,000,000.

A complete repudiation of the obligation to pay tithes and tithe charges, as advised in certain quarters, would, of course, be opposed to all true sense of justice, for regard must be paid to the legal rights of tithe-owners, however improperly derived, and to those of the rectors and worshippers in many a rural parish, where, by the aid of tithes, the church is kept in some

Repudiation of tithe liabilities.

* Namely :—

Tithe Rent-charges, after deducting all costs ...	£4,200,000
Extraordinary Tithes	50,000
	<hr/>
	£4,250,000
	<hr/>

sort of repair, and the priest's slender stipend is assisted to meet his own needs and the inevitable claims of his poorest neighbours.

The question
of Tithe Re-
demption.

Before any broad measure for taxing land on an equitable and universal plan could be adopted, it would appear that this question of Tithes should in strict justice be arranged.

Undoubtedly the most satisfactory way of settlement to all parties would be the entire redemption of tithe rent-charges, could it only be arranged between the landowners, the farmer tenants, the tithe paid clergy and their congregations, and the tithe impropiators, including the Ecclesiastical Commissioners and other associations exercising rights over tithe income and tithe lands.

But there are some considerations that would seem to be of evident importance in respect of any such arrangement.

- 1.—The profits from agriculture of the kind affected by this taxation have now, for years past, much shrunk, if we are to accept the statement of the food, &c., manufacturers, and the system of assessment should therefore in equity be reduced accordingly, for it is no temporary fall in agricultural prices that is now witnessed, they aver, though I am inclined to think the more lavish expenses of present farmers and their families have something to do with the question.
- 2.—Some process of adjustment of average stipends amongst the various clerical recipients is much needed, confined to certain limits, not exceeding the area of the county wherein the tithe is levied ; somewhat on the plan of the Metropolitan Common Poor Rate Fund, and its distributive system.
- 3.—As far as possible, accountability in respect of the tithe collected and expended should be insisted on, and accounts thereof required by local authorities, the latter furnishing abstracts of the same to the Provincial Central Revenue Departments and to the Local Government Offices.
- 4.—That duties in respect of such tithes should, where practicable, be insisted on, and required to be more in evidence.

5.—It must be remarked that Rectors and Vicars of parishes have many duties of a public secular nature imposed on them by Government in respect of which they receive no remuneration either from Government or from the public, who benefit thereby. It would seem only right if these clergymen's incomes were permanently reduced, under any new system of assessment, that Government should make it the occasion for recognising their public services by some annual payment in lieu of the fees, which, under similar circumstances, are received by lawyers from the public for performing public duties in administering oaths, &c.

As preliminaries to, and accompaniments of, a scheme of redemption, some such measures would seem desirable, and considering the national advantage to be gained by the abolition of the present tithe system, it would appear quite justifiable to offer a moderate bounty from the public revenue on all redemptions effected before a certain time, arranged in such a way as to offer strong inducements for rapid redemption.

But even if redemption cannot be effected, the Scotch plan of dealing with tithes might be followed so far as it is applicable to England and Wales.

The particular way in which tithes were abolished in France in 1789 by endowment from the National Taxes would not find favour in this country; but it may be as well to give in conclusion a quotation respecting that amortisation of French tithes, taken from M. Thiers' "*History of the Revolution*," as it adverts to first principles in tithe taxation* :—

"On the night of the 4th of August the Assembly had declared tithes to be redeemable. But at the time of passing these resolutions into Acts, they abolished them without redemption, adding that the maintenance of the clergy should be provided for by the State. Undoubtedly there was a defect of form in this decision, as it contradicted an Act already passed. Monsieur Garat replied to this objection, that according to the proposed plan the State would redeem the tithes in taking on itself to provide for the clergy; so that redemption was equally understood by this arrangement as by any other. The Abbé

* "*History of the French Revolution*"—by M. A. Thiers. Whittaker and Co's translation—pp. 30-31.

Sieyès, who occasioned surprise by being found amongst one of the assertors of tithes, and who was not deemed a disinterested defender of this tax, agreed that in fact the State truly redeemed the tithes, but that it robbed the great bulk of the nation in throwing on it the weight of a debt which ought only to weigh on landed proprietors. This objection, enforced in a sarcastic manner, was accompanied by this satirical remark, since so often repeated : "*You wish to be free, and you don't know how to be just.*" Although Sieyès did not believe it possible to reply to this objection, the reply was easy. The expense incurred by public worship belongs to all ; and whether it was fairer to make it weigh only on landed proprietors, or on every one subject to taxation, was a question for the State to decide. A distribution most advantageous to the general interests could in reality injure no particular class of men.

"Tithes, by oppressing small proprietors, destroyed agriculture ; the State therefore was bound by every consideration of justice to abolish this tax ; this was proved by Mirabeau with the most conclusive evidence. *The clergy, who preferred tithes to every other mode of provision, because they foresaw that the salary given them by the State would be in proportion to their real wants, pretended to be proprietors of tithes by immemorial concessions, and renewed the oft-repeated argument of long possession, which proves nothing, for then everything, even to tyranny, would be legitimised by long possession.*

"To this it was replied, that tithes were merely an usufruct, which was not transmissible, and had not the characteristic marks of property ; that it was evidently a tax established in their favour, and that the State took upon itself to change this tax into another. The pride of the clergy disdained the idea of being pensioned ; their expostulation against the proposed measure was violent ; but Mirabeau, who excelled in masterly strokes of argument and irony, rejoined to these interruptions, that he only knew of three ways of existing in society : to be either a robber, a beggar, or receiver of wages. The clergy perceived that it was requisite to abandon that which they could not defend. The curates especially, knowing that they had everything to gain from the spirit of justice which reigned in the Assembly, and that it

was the opulence of the prelates at which it was particularly desired to strike, were the first to desist. The entire abolition of tithes was therefore decreed, and the State took upon itself the expenses of public worship. But till this Act should be carried into practical force the clergy were permitted to levy tithes as usual. This last clause, full of consideration for that order, was, it is true, useless. The people had long ceased to be amenable to this article of taxation, and even before the abolition of the feudal system, had virtually cast off their obligation to pay tithe."

After the abolition of compulsory Church Rates, it may be safely concluded that the abolition of tithes is only a question of time, for in some respects the tithe taxation is more objectionable than the old Church Rate taxation, though on the other hand it is a difficult subject to deal with, owing to the isolation of rural parishes, their poverty, and the circumstance that the tithe supported Parish Church is often the only place of worship in the district.*

* For information on some points of this subject, I am indebted to a work — "*TITHES: their History, Use, and Future*," by R. Lacey Everett, who has treated the question in an equitable spirit.

LOCAL TAXATION.

So closely allied in many ways are Imperial and Local taxation, that they may be viewed as branches of one system, though that system discovers but few signs of method or principle in the various devices employed for raising public contributions.

Indeed, as the history of the national taxation shows clearly enough, there has been for centuries little else than patchwork legislation in fiscal matters taxes having been imposed and repealed with the scantiest regard, if any, to real equality in the general scheme of taxation.

The Imperial and Local tax systems in many ways not independent of each other.

The close connection between the two great branches of our tax system may be best observed in the taxation of rentals of lands, houses, and premises; this description of property, *apparently*, contributing largely to both Imperial and Local taxation. The assessments of the Local tax authorities in respect of rentals serve as bases upon which to estimate more than one of the Imperial taxes.

Local Government Officers, too, are employed in the collection of certain Imperial taxes.

Items rightly appertaining to Imperial expenditure are defrayed from Local funds, and expenditure upon strictly Local affairs appears under numerous heads of the Imperial Budget.

In accordance with law, transfers are made from Imperial to Local Government funds to meet certain branches of local expenditure, and these receipts appear as *income* in the local accounts, and of course, in due time, as expenditure; but a large proportion of strictly local expense appears in the Imperial Budget only.

In these and other ways it may be seen how the two systems have been associated together, or, to speak more accurately, confused one with the other.

As there is a strong probability of substantial legislation being shortly attempted in matters of Local taxation and government, probably affecting Imperial taxation also, it seems unnecessary to dwell on the difficulties interposed by this mixed system in dealing here with "Local Taxation."

Some irregularities in the local taxation accounts and returns referred to.

I will merely mention therefore, among other shortcomings, the incomplete and uncertain character of many of the facts and figures recorded in the published accounts and tables, some of them revealing it on their very face—in the shape of notes prescribing cautions and limitations of inference, needful in using such facts and figures;—the three different dates on which the three central local governing authorities close their annual accounts;—the varying dates to which local bodies render their accounts to the central authorities for the year under report;—and the extraordinary delay in transmitting local accounts to headquarters, and in publishing the head-quarter reports.

For example of this last, the complete local accounts for England and Wales, 1884–5, were still unpublished in the earliest months of 1887.

It appears hardly likely that any material improvement in the form of these returns can be expected until a central Local Government Control Department is established, to which the English, Scotch, and Irish local accounts and returns would be rendered for analysis and comparison, and for the publication in systematic form of all facts and figures necessary and desirable for the public to know. This is done in respect of the Imperial Taxes, the Crown Revenues, the Army, the Navy, and in some sort of fashion, of the Civil Services.

It is also needless to go at any length into the question of Local Government. The chaos, so graphically described by Mr. Goschen in April, 1871, when introducing a Bill for regulating local taxation and government, is somewhat remedied; but there is now even less direct responsibility than before on the part of certain governing bodies in their relations with the general body of ratepayers furnishing the funds, and the system of loans and district expenditure therefrom has also much developed since then; likewise the plan of granting Imperial Aids to Local Taxation.

Local Government.

The promised Government measure will doubtless contain

proposals for improved administration in these matters. But reference must be made to some points of administration nearly connected with local taxation and finance in the course of this section.

Sources of
Local Revenue.

I will now endeavour to state, as far as the local accounts and the sources of income shown therein will allow, *the amount of Direct and Indirect Local Taxation in the year 1884-5*,* and I must observe that the dubious character of the finance and accounts necessitates a different method of treatment to that observed in dealing with the Imperial Revenue.

In the Statistical Abstract, 1887 (pp. 34-37) are four tables, an analysis of which gives the results embodied in the following Table :—

LOCAL GOVERNMENT RECEIPTS, 1884-5—UNITED KINGDOM.

From Gas and Water Undertakings	...	...	£5,302,256*
Tolls, Dues, &c.	...	...	6,586,699
Rents, Interest, &c.	...	...	1,552,439
Sales of Property	...	...	657,455
Miscellaneous	...	...	2,998,260
			<hr/>
			£17,097,109
Rates on Net Rentals of Houses, Lands, &c.	...	...	32,543,334†
Government Contributions	...	...	4,381,757
Loans	...	...	13,821,738‡
			<hr/>
Total	...	...	£67,843,938‡

* Subject to addition for receipts from Gas, Water, and other undertakings included in Rates.

† Subject to reduction for receipts as above.

‡ Subject to reduction for principal repaid, so as to show net revenue.

The above receipts may be reduced into four heads or sources of income, and for convenience of comparison I will show them in the form of percentages, thus:—

Tolls, Dues, Duties, Undertakings, Interest, Sales, Miscellaneous	...	...	25·39	United Kingdom
Rates on Net Rentals	...	...	48·32	„
Government Contributions	...	...	6·51	„
Loans	...	...	19·78	„
			<hr/>	
			100—	

* The facts and figures upon which my calculations and remarks are based appear in the Statistical Abstract, 1887; the Local Taxation—England and Wales, 1884-5—Summary; the Local Taxation Return, Scotland, 1884-5; and that for Ireland for 1884.

Examining the Statistical Abstract Tables (pages 34-6) showing the revenue from the above sources received in England and Wales, Scotland and Ireland, respectively, and putting those figures also into the form of percentages, the results are :--

	England and Wales.	Scotland.	Ireland.
Tolls, Dues, Undertakings, &c.,	29·05 ...	22·34 ...	20·70
Rates on Net Rentals ...	50·09 ...	45·55 ...	68·47
Government Contributions ...	6·86 ...	8·49 ...	2·68
Loans ...	14·0 ...	23·62 ...	8·15
	<u>100·—</u>	<u>100·—</u>	<u>100·—</u>

Now it is evident to any one studying the Imperial and Local Budgets, that the above figures very imperfectly represent the true position of Local finance.

Taking the latter in its broader relations with Imperial finance, we shall see that the item "*Government Contributions*" is insufficiently charged, and that the head "*Loans*" is most unduly charged, looking at the net results of the year.

To explain more readily the way in which these two items unfairly affect the above ratios of percentage, I will examine them first, for they admit of very brief treatment.

GOVERNMENT CONTRIBUTIONS.

This item—£4,381,757—cannot of course be included in a general statement of the entire national taxation, inasmuch as it merely represents amounts transferred from Imperial to Local funds to meet certain local expenses sanctioned by Parliament, and to be accounted for in the Local Government Budgets.

Contributions
to Local
Government
from Imperial
taxes.

But other large sums are expended on different classes of local charges, or claims, which do not pass through the local budgets.

In a sketch like this it is unnecessary to detail all the items which may fairly rank as *Outlay on Local Government from Imperial funds, but not accounted for by Local Authorities*: confining, however, such expenditure simply to Police, Constabulary, Education, Rates, Roads, Fire Brigade, Pauperism, Hospitals, and Infirmaries, and the more obvious expenses

of local government, the total Imperial outlay on these objects amounts to from £4,872,458 to £4,267,419, according to whether we include or exclude the expenses of the three central Local Government Offices. One or other of these amounts, therefore, must be added to the £4,381,757 already shown, rightly to estimate the contribution from Imperial to Local expense.

In a reorganisation of local finance, it would seem advisable to revise both the debit and credit sides of the Imperial and the Local budgets, in order rightly to charge either budget with its proper items of revenue and expense ; and more effectually to adjust their proper financial relations, it would further seem desirable to ascertain—firstly, whether the two budgets should not contain certain items not found now in either of them ; and secondly, whether they should not both be relieved from some items which now find a place therein.

We may then, with the above explanation, state the entire contribution from Imperial taxation to Local expenses as £9,254,215 or £8,649,176, according to whether we include or exclude the expense of the three Local Government Offices.

LOANS.

Loans—*Gross*
or *net* receipt
from ?

This item £13,321,738 is the gross receipt from Loans in the year ; but, after deducting repayments in the same time, the net income from Loans is little more than £2,000,000, even though Interest has sometimes been improperly merged with repayments of principal in the English and Scotch accounts.

Owing to this, and to outstanding loans of former years being brought to account for the first time in this year (1884–5), the real net receipt from loans in the year cannot be arrived at with certainty from the local returns, but the above-named sum of two million pounds cannot be far wrong.

It looks uncommonly like bad finance to find the item *Loans* occupying a permanent place as a head of income.

Local liabilities and their increase.

I will not enter at length into the question of Local liability, but it must be stated that at the close of the year 1884–5, (Ireland, 1884) the debt stood thus :—

England and Wales	...	...	£173,207,968
Scotland...	...	...	22,559,286
Ireland (close of 1884)	...	...	5,497,231
Total Debt			£201,264,485*

The debt was, at the opening of the year, £192,051,488, the difference between that sum and the balance above shown does not represent *the net income from loans*, for the reasons already given.

The enormous increase going on in the liabilities of the Local Government Authorities is worthy of grave attention, for it throws a side-light upon the pressure of the general taxation at present.

The public complain of excessive rates, yet at the same time it is evident that local authorities are not fairly paying their way out of current income.

It certainly looks as if more powerful control over the expenditure of Local Bodies is needed, with some better check on their power of raising loans to defray their annual expenses, instead of boldly meeting them by an increase of the rates.

The National Debt is virtually increased by this recourse to loans, and the Local Authorities are defeating the object that Imperial Statesmen have for years been patiently striving to accomplish—the reduction of that debt.

By raising these loans, even for objects strictly in the nature of "*Capital*" Outlay, the ratepayers are committed for many years to the burden of higher rates, and have little or no control then over such outlay.

Let us now see how the relative position of England and Wales, Scotland, and Ireland appears after adding the £4,872,458 thus further paid from Imperial funds in aid of their respective Local expenses, and after showing the *net income* instead of the *gross receipt* from Loans.

The following table shows the corrected percentages, and puts the facts in quite a different light :—

* Amount doubtful, the Irish Report giving no clear and intelligible statement; also the debt of England and Wales is stated, at p. 34, Statistical Abstract (Table 16, Note), as £171,869,071.

	England and Wales.	Scotland.	Ireland.	United Kingdom.
Percentages of Local Revenue sources under a stricter and more complete form of accountability.				
Tolls, Dues, Undertakings, &c....	30·45 ...	25·31 ...	12·87 ...	28·03
Rates on Net Rentals	54·40 ...	53·75 ...	45·42 ...	53·34
Government Contributions	12·53 ...	10·36 ...	39·01 ...	15·17
Loans	2·62 ...	10·58 ...	2·70 ...	3·46
	<u>100·—</u>	<u>100·—</u>	<u>100·—</u>	<u>100·—</u>

Examining these figures, two facts stand out clearly :—

- 1.—That Ireland is largely subsidised at the expense of Great Britain.
- 2.—That Rates supply more than one-half of the total revenue from all quarters, except in the case of Ireland.

It may be further noted that Scotland in this year *apparently* increased her local liabilities out of all proportion to those of England and Ireland.

TOLLS, DUES, UNDERTAKINGS, &c.

Indirect local taxes.

Reverting now to the two remaining sources of Local Revenue, I will deal first with the *Tolls, Dues, Undertakings, &c.*, £17,097,109—this head including whatever remains in this country of *indirect taxation*, the form of public contribution first noticed in analysing the Imperial taxation.

Happily the indirect taxes are very few and unimportant, so far as indirect taxation is understood to mean taxes on commodities entering a city or town.

Octroi Duties.

Limiting the term thus, such *Octroi* duties are levied, so far as I can ascertain, in few places besides the metropolis (chiefly in the southern counties) and the revenue thus raised cannot much exceed £500,000 a year.

In the metropolis in 1884-5 the figures were :—

Coal Duty at 1s. 1d. per ton ...	£543,966
Less Drawback on Export at 1s. a ton, minus expenses of the drawback	99,369
Net receipts ...	£444,597
Wine Duty at 4s. a tun ...	9,395
Grain Duty at $\frac{3}{4}$ ths of a penny a cwt.	17,449
* Total net receipts ...	<u>£471,441</u>

* The figures are taken from the Summary of Local Taxation 1884-5—page 30, &c.

These taxes operate in a way which the nation, after long and mature discussion and consideration, has declared to be injudicious, injurious, and impolitic.

THE LONDON COAL DUTY.

This tax prevents the importation of the cheaper sorts of coal into the London area for use by the poorer classes, and manufacturers of certain wares, glass, pottery, &c., who, to profitably carry on businesses like these, involving the use of very cheap coal, are forced to establish their works outside the boundaries of their best market.

Twice as much coal as enters London, and is taxed, is exported abroad free of all tax ; so Londoners are to that extent handicapped as compared with other manufacturers and consumers.

Over the funds thus raised, taxpayers, as a body, have no practical control ; local economy and vigilance, in regard to expense, is thus undermined.

This tax tends to obscure the real incidence of local taxation on classes and individuals, for, being assessed on the *quantity* and not on the *value* of the coal imported, it falls more heavily on the poor who use the commonest kinds of coal.

Moreover, on the security of the revenue derived from this duty, certain Local Bodies are enabled to negotiate vast loans, and proper control over the funds thus raised is lost to the general body of ratepayers paying the enhanced prices caused by the tax.

That it *does* raise prices, and in a marked degree, may be inferentially proved from the converse effect on another necessary of life—*sugar*, after the Customs Duty on it was abolished. Since then it has fallen in price beyond all calculation, except that prophetically made in 1862 by the present Sir C. Tennant, who predicted that sugar, after a repeal of the tax, would be retailed at 2d. per pound.

The duty of 1s. 1d. a ton on Coal imported within the area of the City and Metropolitan Police acts as an average tax of about 2s. a ton, reckoning the cost of collection, and that of the drawback arrangements, together with the charges of interest, &c., on the Duty advanced by successive dealers, till finally embodied in the prices charged to the London consumers.

Looking to the natural price of coal (including carriage) delivered in the metropolis, it is taxed at a rate varying from 20 per cent. on the *best qualities*, to 40 per cent. on *steam coal*, whilst, as before stated, the importation of the cheaper sorts is quite prohibited by the Duty.

The difference between the rate of duty and the rate of drawback allowed, amounts to a charge of 8 per cent. on importers, and is said to represent *the cost of drawback*, wages of officials, inspectors, &c.

This would indicate that the cost of collecting the entire coal duty is more than one per cent.—the rate usually stated.

Consumers would somehow have to make good this loss of 8 per cent. experienced by the London Importers on their exportations.

Some people argue that the repeal of the coal tax would only benefit a limited class of consumers ; but this contention is quite unworthy of argument in the light of experience gained in repeals of taxes on many articles of like general consumption. Coal must follow the general law, and drop more in price than the tax charge.

The Chairman of the South Metropolitan Gas Company says : (22 Feb., 1888) that the abolition of the duty will enable the London Companies to reduce the price of gas one penny per thousand feet ; but there was a rumour in 1887 that the reduction would be nearer 6d. per thousand feet. It is a matter surely of easy computation, when we find that more than one-fourth of the tax is paid by these Gas Companies.

But this is only one of the many channels by which advantages would be gained by a repeal of the Duty.

In quitting this subject, it must, however, be observed, that the Coal Duty is a tax on what may be termed "*National Capital*," existing in a shape that cannot be reproduced, and which is annually obtained at greater risk and under more physical disadvantages.

If our national prosperity really depends, as many think, on our possession of Coal, and other mines yielding natural wealth, exhaustible in the course of time, prudence would suggest some check on the too rapid exhaustion of this natural wealth, some sort of tax to assist in forming a reserve fund for use in a more

or less remote future, or to be employed in reducing the National Debt.

The Wine Duty of 4s. a tun, and the small Duty of $\frac{8}{18}$ ths of a penny on each 1 cwt. of Grain coming into the Port of London, are only noticeable as relics of the obnoxious *Octroi* Duties which still afflict many Continental towns. Wine and Grain Duties.

The income from these two Duties is insignificant, but the waste of time and labour occasioned in collecting them must be anything but so, and doubtless the cost of collection consumes a large proportion of the revenue derived.

Most of the other items included under the heading "Tolls, Dues, &c.," represent payments for specific services directly rendered at certain fixed rates of charge, such as Market Tolls, Wharf and Harbour Dues, Rents, Interest, &c., which, if higher than reasonable, would certainly act as an indirect tax; but this question cannot be entered upon here. The other items under the head of Tolls, Dues, &c.

As regards "Gas and Water Undertakings" receipts—doubtfully stated in the Statistical Abstract as amounting to £5,302,256, it is a well-known fact that some of these businesses return large profits, which materially help to reduce parochial rates; whilst others are carried on at a loss, so great in some cases as to need a large addition to the local rates. In the first instance the profits truly represent taxation, and supply the place of rate taxation; in the second instance the additional rate taxation may either represent a sheer loss or a return of improper advantages enjoyed by those ratepayers who used the local gas or water supply at less than its cost price, but which return has to be provided for at the expense of all the ratepayers, whether sharers or not in such underpriced supplies. Gas and Water Undertakings.

As there is a large loan expenditure on these undertakings, the true profit or loss cannot be certified from the local accounts as rendered; but it would seem proper that other undertakings, besides those for the supply of gas and water, should be included in the heading, when carried on by local bodies at the expense of the ratepayers, and that a distinct profit and loss account of every such undertaking should be kept, and copies of the accounts supplied to all locally concerned.

As far as I can judge from the local accounts of 1884-5, the

net average result of all the Gas and Water Undertakings—including loans, interest, and repayments—was a dead loss.*

The other items under this heading call for no particular observation, as they are not in the nature of taxation, some being merely sets-off or credits to the expenditure.

DIRECT LOCAL TAXATION.

RATES ON NET RENTALS OF HOUSES, LANDS, &c.

Rates on net
rentals of
houses, lands,
&c.

The amount thus raised in the year 1884-5 in the United Kingdom (in Ireland in 1884), was £32,543,334.

Funds for various objects of local expenditure are thus chiefly raised, the local bodies frequently levying special rates or cesses for particular purposes, instead of including them in a general budget and imposing a general rate to meet local expense of all kinds.

From notes in the Local Income Sources Table (No. 16—Statistical Abstract, page 34) it will be seen that this head still includes, to some doubtful extent, receipts from Gas and Water Undertakings; the amount, however, is probably very small, so the above-named sum may be considered approximately correct; but to include any receipts of the kind, under whatever name they may be levied, is, in accountancy, almost as absurd as blending the Imperial "*Post Office and Telegraph receipts*" with the revenue from "*Stamps and Taxes*."

This Rate taxation is of such importance, the sum raised being considerably larger than the revenue derived from any other distinct tax, that it seems desirable to dwell somewhat on the subject of the valuation and assessment of the property upon which the tax appears to fall, and then on the primary incidence of these rates, and the powers of the Local Governing bodies in respect of this taxation; for these matters follow different laws in England, Scotland, and Ireland.

Valuation and
Assessment.
Great Britain.

Firstly, then, we will consider *Valuation and Assessment*.

In Great Britain, valuation is almost entirely based on the annual rentals of lands and houses, or in cases of occupancy by owners, on the annual rentals that the properties would pre-

* See also Gas and Water Undertakings as items of expenditure—page 130.

sumably bring in if let ; and the assessment is made on the net rental after a deduction of about a sixth for annual outgoings on repairs, &c. There is, in respect of the Metropolis, a special valuation, at less frequent intervals (five years) than for other parts of Great Britain.

There is also an annual valuation for new structures, &c., and revisions of a special kind.

Some forty years back the assessment laws in force in Great Britain, held that "*Means and Substance*"—i.e. Stock, in-trade, wares, &c.—was liable to assessment for the local rates, as well as property of a more permanent kind ; indeed, in Scotland, "*Means and Substance*" then paid half, and *Heritable property*, the other half.

In England and Wales now "*Means and Substance*" has slipped from assessment, with an exception presently to be noticed, and occupiers of houses and land bear the main burden of this rate taxation by its falling on the *use* instead of the *ownership* of this particular form of property. England and Wales.

In Scotland the Poor Law of 1845 allowed three alternative methods of assessment, two of which included "*Means and Substance*" as property assessable ; the third permitted an equal division of the rate between owners and occupiers, dispensing with any assessment of "*Means and Substance*"; and this, as the simplest plan, was naturally the one generally adopted, and became in course of time the sole legal method of assessment in Scotland. Scotland.

In Ireland one uniform system of valuation is adopted, to serve as a basis for the assessment of rates or cesses of all kinds ; the valuation is founded on a system of actual detailed surveys, annually revised in respect of changes of ownership and values (repartitionary values), but not as regards the general valuation, *which undergoes little alteration, and only at long intervals of time.* Ireland.

By experts, I believe, the assessments are considered to be fair enough so far as Ireland itself is concerned, but much too low in comparison with assessments in Great Britain ; the rate of Irish local taxation is thus made to appear much heavier than it really is. What effect the Land Commission and Land Courts may produce on this valuation cannot be at present estimated, but it seems certain to raise the rate of cesses.

"Means and Substance" does contribute to local taxation.

Certain property, in the form of Railways, Mines, Ironworks, Canals, and similar concerns, deriving profits, more or less, from the occupation of land (formerly classed under Schedule A—*Lands* for Income Tax, but now under Schedule D—*Profits*), are assessed *on their profits* to such an extent and in such a manner, as to be equivalent to their being assessed on their "*Means and Substance*." A brief examination of the special methods of assessment applied in rating these properties for local purposes will prove this. "*Means and Substance*" therefore does continue to contribute to local taxation to a limited extent.

The amount of profits on such concerns assessed *for Income Tax* for 1884–5 was £57,111,616, upon 17,082 assessments.*

Insufficient records respecting local ratings.

The amount of *local rates* raised thereon in 1884 was estimated by Mr. Laing to be about one-half that raised on land, or 14 per cent. of the total rates from all sources.

I do not find that any separate record is kept of such receipts by the local bodies, nor could it be estimated what proportion of the rates so raised would represent the taxation of *Means and Substance*.

Except in Scotland, no attempt is made to show the amount of rates contributed severally by *Owners* and by *Occupiers*, nor of the annual rentals of the respective properties, but the value of such returns is obvious. Even in Scotland the return is far from being complete and perfect.

Primary rate incidence and powers in respect of rates. England and Wales.

Secondly, let us consider Primary Rate Incidence, and powers of ratepayers and local bodies in respect of rates, &c.

In *England* owners of houses and lands when not occupiers are wholly free from local taxation, in its *primary* incidence at all events, and in its *final* incidence also, I maintain, except under particular and exceptional circumstances, to which I shall hereafter refer. With such exception *occupiers of houses and lands pay all the rates*.

Beyond the power derived from certain *ex-officio* appointments, and the right of voting for candidates for Local Boards and Boards of Guardians, owners exercise no exclusive authority over local taxation and expenditure, except as regards the County Rate *when they are magistrates*; then they possess

* Inland Revenue Report, 1886—pp. 22-25 of Appendix.

direct and indirect general influence upon the valuation and assessment of houses and lands, in the constitution of the Assessment Committees, and in the revisions by Quarter Sessions by Magistrates who must be owners of property in the locality as a necessary qualification for their office.

In order to assess certain rates an independent valuation is permitted, but the Poor Rate is the only valuation practically used as a basis for rating assessment outside the metropolis.

Occupiers have some degree of control over portions of the rates and the expenditure therefrom in their localities, but not nearly as much as they should justly possess.

For instance, the County rates are too completely under the control of *ex-officio* authorities—the Magistrates and of land-owners or their nominees; but the County expenditure is extremely restricted, too much so in the opinion of many; for there is no organisation suitable for pursuing larger schemes of finance.

In Scotland owners alone pay, manage, and expend the County rates, and share equally with occupiers in paying, managing, and expending the other rates.*

In Ireland occupiers alone pay the Highway and County cesses, the other local rates are borne in equal proportions by occupiers and owners.

As regards local powers Irish rate taxation and representation are much divorced, at present perhaps for political reasons, and considerations of order and justice, and Grand Juries and Judges are brought into relations with the management and control of Local finance to a much larger extent than are Magistrates in England; but there would seem to be economy, as far as it is practicable, in the management of local funds.

The ratepayers generally in the United Kingdom are insufficiently represented on the local councils and boards, and the due exercise of the rights they have does not seem to be properly ensured. For instance, adequate arrangements are not made for always advising them and the vestries of the local government meetings; for providing suitable places for such meetings; for keeping and publishing proper records thereof,

United Kingdom generally.

* Sir J. Caird has stated that in his opinion this joint responsibility is conducive to a wise and far-seeing economy in local government and administration.

The final
incidence of
local rates.

accounts of local finances, &c. in all which subjects the interests of the various local communities are intimately concerned.

Touching the general question of the final incidence of these local rates, and the habit of describing it as taxation of the propertied classes, it must be observed that an eminent writer on this subject—Monsieur Paul Leroy-Beaulieu, Chief Editor of the "*Economiste Français*," maintains that a rate, even if paid by the *owner* of a small house, can be partially shifted upon the *tenant*, and is so shifted; and in like manner is shifted by ratepaying tenants upon their lodgers.

The late Mr. Dudley Baxter, another well-known authority on this subject in his day, admitted a division in rate incidence between owners and occupiers in such cases, though he seems hardly to have realised its full significance.

The same principle applies to rates paid by dealers in commodities of all sorts, and lenders of all kinds of property; like their rental, insurance, &c., they treat local rates as trade charges, which are unquestionably recovered, wholly or in part, by increased price in some or other of the goods sold or lent on hire.

And so again with Imperial taxes, which can be shifted partially or entirely on buyers and hirers under conditions of rising values in rent, stock-in-trade, &c., with restricted powers on the part of purchasers and hirers of obtaining better terms or of economising in, or abstaining from, the commodities, hire, &c., so advanced in price.

Economists, British and foreign alike, have insisted on this diffusive power attending the incidence of taxes under certain influences and conditions.

M. De Parieu has treated the matter in great detail, and has laid it down as an axiom * that a tax falls directly at least on him who pays it, if the object on which it is assessed is not susceptible of abstinence in use, (the case with houses and land).

Professor Thorold Rogers has recognised this diffusive influence in operation in the Imperial as well as the Local British taxation.†

Mr. Pitt—that famous expert in taxation—maintained that

* "*Traité des Impôts*"—p. 68.

† "*Statistical Society's Journal*," May, 1870—pp. 247-250.

it operated in the case of taxes on traders and shopkeepers, who recovered the tax (he said) from their customers.

Under the condition of long leases and new and increasing rates, the English tenant undoubtedly bears the extra burden of the rates ultimately, unless specially protected by clauses in his lease or agreement.

EXEMPTIONS.

The exemptions from local taxation, though few, are rather Exemptions. important. In the first place there is the total exemption of owners from paying rates on their ground rents, and the exemption of owners, not being occupiers, also, from payment of some, or most of, the rates on their property, according to its locality in Scotland and Ireland, or in England and Wales.

It is impossible to find any principle or reason in these exemptions, except that the laws on the subject were framed by property owners and not by tenants.

There is next the exemption of English and Welsh owners or leaseholders of untenanted house property from paying rates thereon, even diminished rates, though in respect of most of the heads of local expense, their property derives advantages almost if not quite equal to that which is tenanted.

Professor J. T. Rogers, referring to the view American statesmen take on this question, says* they "do not consider it their duty to remit an obligation on the ground that an owner does not dwell in his own house or discover a tenant for it. . . . There is no reason why an empty house or shop should escape because the owner does not employ it for the purpose which led to its erection. Hence while in *England*, *landowners*, being relieved from a tax on void tenements, escape everything but loss of interest on their property, and therefore, if rich, are able to withhold their property from the market, under terms of special advantage, the *American owner* gets the sharp reminder of local taxation that it is his business to inhabit, or sell, or let his tenements."

In most of the Swiss Cantons unremunerative property of all kinds is obliged to contribute towards the general taxation.

* Professor J. T. Rogers' "*Six Centuries of Work and Wages*"—p. 537.

Under the British Land Tax, as I have before noticed, untenanted lands and houses were not exempted from it.

Exemption from local rates unquestionably tends to maintain rentals at an artificially high price, and forms one of the most powerful means enjoyed by owners of house and landed property of shifting rates and taxes on their tenants.

In Scotland, however, owners of untenanted property are obliged to pay half rates on it.

Government property, such as factories, dockyards, arsenals, barracks, &c., giving occupation to numerous workmen, who from one cause or another are discharged in large numbers, seems to be insufficiently rated for local taxation in some cases the Government self-assessing their buildings. In rating areas where these properties are situated, considerable injustice must be done at times, for these establishments derive great benefit from the local institutions and expenditure; in fact they occasion much of such outlay, and Government, it would seem, should therefore, in equity, contribute to defray it in reasonable proportion.

It is true enough that the State grants subventions from Imperial funds in aid of certain local expenses, as has elsewhere been shown; but these sums are distributed in most arbitrary proportions between England, Scotland, and Ireland, and are expended within other prescribed areas, and upon special classes (as will presently appear), without any clear and apparent principle.

There is also an unduly large abatement—as much as three-fourths—allowed in the General District rate assessments on the value of Woods, Mines, Pasture-lands, and some other like kinds of property.

Undue assessments.

On the other hand, Railway, Canal, and some other properties of the kind, yielding profits from association with labour, seem over-assessed in most instances by the Local authorities, under the exceptional system referred to of taxing the profits of "*Means and Substance*" including lands and houses, instead of the presumed net outlay on rent, after deducting the cost of repairs.

This seems a subject deserving attention in the coming measure for local government.

The Health of Towns Act certainly affords some relief to Railway property as regards particular areas.

All these exemptions and differences in the rate of local taxation must greatly disturb the natural incidence of general taxation in respect of the three great provinces of the United Kingdom and of certain classes and individuals in it.

Result of Exemptions and under or over-assessments.

A redeeming feature in local taxation is, that small rentals under £20 a year, which escape the *Inhabited House Duty*, are not exempted from the incidence of the *Local rates*.

Owners of such property are certainly allowed abatements if they compound for the whole of the rates on it, let or unlet, but the allowance scarcely represents the expense which local authorities would incur in collecting the rates from house to house, and losses from bad debts and empty tenements.

It is impossible to ascertain what the cost of collecting this rate taxation really is, for no record is kept of the expense of assessing, collecting, and auditing the accounts of the rates levied in the various areas of the United Kingdom; but considering, on the one hand—the high emoluments received by many local collectors—the losses often incurred from rate embezzlements which have to be made good, the numerous rates to be separately administered—the want of control and audit of a substantial character in respect of the assessments and local finances—interest on value of freehold and other property held by local bodies at long tenures; and on the other hand—the unpaid services of the local managers, assessors, &c., and the economical nature of a direct tax like this, levied in one form only,—we may reasonably believe that the cost should not much exceed that of collecting the Income Tax, or say from $1\frac{1}{2}$ to 2 per cent. as a general average over the United Kingdom.

Cost of collection.

To show the pressure of this direct taxation on the rate-payers of the three great provincial divisions of the United Kingdom, I have worked out the ratios of percentage, &c., embodied in the following Table, based on figures to be found in the Local Government Returns for 1884-5 and the Statistical Abstract, 1887, &c.

Rate of this taxation per rental pound, per cent., and per head of population.

The Rates or Cesses levied in 1884-5— Ireland, 1884.	AVERAGE OF RATES IN		
	England and Wales.	Scotland.	Ireland.
On Rateable Value of Rentals :—			
England and Wales £145,527,944	s. d. 3 6½ 31 p. £	s. d.	
Scotland 23,550,000	.....	2 10·06 p. £	
Ireland—Valuation accord- ing to Thom's Statistics } 13,874,443	.....	.....	s. d. 4 2½ p. £
On each £100 of Rateable Net Rental, &c.	£17 12 1	£14 3 10	£20 18 9
Per head of Population—mean of the two years, 1884-5 :—			
England and Wales £27,315,745	s. d.	s. d.	s. d.
Scotland 3,887,125	{ 18 9½ nearly per head.	17 2½ per head.	11 11½ per head.
Ireland 4,943,517			

Incomplete
character of
the Irish
Local Taxa-
tion Returns.

Respecting the figures of rate taxation in Ireland, it is necessary to remark that the Irish Local Return is very unsatisfactory, distinct and necessary statements as to valuation and assessments, Poor Law receipts and expenditure, Loans, and some other matters relating to local finance, being incomplete or wanting; the tenement valuation of lands and houses according to Thom, the Irish statist, has therefore been used in the absence of the figures of the actual assessments.

High rate of
local taxation.

The rate of Irish local taxation seems high as compared with that of England and Scotland, but apparently, this is partly due to the undervaluation of the properties assessed, and to the Irish local budget embracing several heads of expense not found in the English and Scotch local budgets. The latest Irish Return shows the total cost of Poor Relief proper, for the year to 25th March, 1887, was only £428,665, being at the rate of 7½d. per pound of valuation on £13,653,280; but Poor Rates and Aids thereto probably exceeded £1,200,000, a large portion of which was spent on objects quite distinct from Poor Law Relief.

The high rate of local taxation is a subject of much more serious cause of complaint in England and Wales than in Ireland or Scotland, on account of the rates falling so exclusively on Occupiers in the former countries.

As the late Mr. Fawcett observed, in referring in 1876 to the increase of local rates, "the more rates increase, the more

will foreign competitors gain an advantage It is quite possible that a constant increase in rates might ultimately jeopardise the very existence of many branches of industry, in which there is a close competition between home and foreign producers.* ”

The same course of reasoning equally holds good in regard to the imperial expenditure and taxes, and is simply an argument in favour of *economy*, not only in matters of local and imperial finance, but in the infinite variety of forms in which it may be applied—in manufactures and agriculture, in commerce and trade, and in the private and domestic affairs of our national daily life.

It would appear, then, that the two most prominent defects in Local Direct Taxation are :—

- 1.—That property in the form of land, houses, railways, mines, and like concerns connected with land, is assessed for local taxation either on its rental, presumed rental, or its profits; but property in other shapes—goods, wares, ships, merchandise, &c., &c., and unoccupied lands and houses—escapes all assessment of the kind. Two chief faults in local direct taxation.
- 2.—That *owners*, especially in England and Wales, escape a large proportion of the local taxation—often all such taxation, by letting their lands, houses, mines, fishings, &c., on leases for limited periods of time; whilst *occupiers*, besides paying rent for the use of such properties, are further held liable by law to pay the local rates imposed according to the proportion of their respective net rentals,† and this, without sufficient regard to the objects upon which the rates are expended, or to their ability to bear such taxation.

By these two inequitable provisions property of all kinds escapes from paying its due contribution to Local Taxation, and the item *Rent*, which absorbs so large a proportion of a poor man's income, is made to serve as the common basis or scale of measurement by which he and the owners of wealth in

* “Manual of Political Economy”—(Fifth Edition)—“Local Taxation.”

† Net profits in the case of Railway and similar concerns.

Though a ratepayer may subscribe in many ways on behalf of the poor and needy, he is compelled by the Poor Laws to pay, alike with others who *voluntarily* give nothing, a rate of so much in the pound on his net rental as will suffice to provide for the bodily needs of those in his locality who from various causes are temporarily or permanently unable or unwilling to provide, partially or entirely, for their bodily needs at their own proper cost.

Other European nations, it seems, can advance and flourish without the aid of taxes in the form of Poor Rates, whilst the large sums thus expended year after year in this Kingdom, seem to proclaim and measure the ill success of British Civilisation and British Statesmanship in dealing with the problem of the vast amount of poverty and distress in this wealthy nation.

Till the reign of Elizabeth no compulsory tax under government administration was levied for poor relief, such provision being made by the numerous religious houses and retreats, till they were generally disendowed and dissolved by Henry VIII. Like many other unjust taxes, the first Poor Rate was introduced as a *temporary measure*,* it providing that *all* ratepayers (not owners only—the great majority then), should contribute according to their several ability (means) and the ability of the several parishes. It was evidently intended to combine voluntary and compulsory contributions for poor relief.

From Mr. Dowell's "*History of Taxes in England*" and Professor T. Rogers' various contributions to the subject of Local Taxation, including his late work, "*Six Centuries of Work and Wages*," it may be gathered how English *House Owners*, who mainly bore the burden of these rates at first, have contrived to shift their payment so effectually on *House Occupiers*, and how the rate became a permanent one.†

Occupiers, whether employers of labour or not, are chargeable with this Poor Rate; consequently in localities where much manual labour is employed we see the following occurrences in times of depressed trade:

Employers dismiss their working hands, who, paid at rates of wages too low to allow of savings, have no resource left

* Act 43, Elizabeth, A.D. 1601.

† Made a permanent rate by Act 16 Charles I., c. 4.

but to go to parochial relief for the support of themselves and families.

In such parishes, usually poor ones, the general body of rate-payers finds itself, from no fault of its own, liable to pay *a rate in aid of Wages*.

But the idle, the improvident, the dissolute and reckless, can also claim support from the rates.

There is no space here for following the ill effects of the Poor Law system through its numerous channels; the readiest remedy probably for the crying evils arising from its provisions, is to be found in the successful action of the Charity Organisation Societies, in all places where they have been established. But there is a further way of escaping from the benumbing influences of the present system, viz., the agricultural system of instruction for paupers, with a share in the produce, so extensively carried out in Holland, &c., and which is diminishing the ranks of pauperism so effectually.

Aided by local government bodies, and under proper regulation, it would seem possible for organisations of the kind to gradually supersede the expensive, impolitic, and unjust Poor Law system, with all its offensive machinery and associations and its degrading influences on the national life and character. A quotation from the late Mr. Ricardo's observations on the system* may fitly close this subject.

"No scheme for the amendment of the Poor Laws merits the least attention, which has not their abolition for its ultimate object; and he is the best friend to the poor and to the cause of humanity, who can point out how this end can be attained with the most security, and at the same time with the least violence, &c."

The *School Board Rate* expenditure is next in importance, and, as far as the local returns show, the expenditure from Rates in 1884-5 in Great Britain was £2,651,490.

The expenditure from loans locally raised for the same purposes was £1,457,000.

A further sum of £1,353,663 was granted from Imperial funds towards Board School Education in Great Britain. The net cost to Government of Elementary Education in other forms

The School Board Rate and Imperial contributions to Elementary Schools.

* "Principles of Political Economy," 2nd Edition, pp. 58-59.

than Board Schools in England and Wales, Scotland, and Ireland, was £3,099,904.*

We thus see in one year an expenditure of £8,562,057 on the primary education of a certain class, of which £4,108,490 is raised from occupiers of houses, or from loans borrowed on the security of future rates payable by them ; and £4,453,567 from Imperial taxation, to which occupiers of houses, in common with other taxpayers, contribute.

And now let us examine the Board School Rate from an economic and equitable point of view.

It is a compulsory tax, imposed in its initial stage by a majority of ratepayers in a locality, to provide for the mental needs, or what are deemed the mental needs, of children of certain persons in such locality, who, from various causes, are temporarily or permanently unable or unwilling to provide such instruction entirely, too often even *partially*, at their own proper cost.

Some of the humbler and more needy ratepayers do indeed take advantage for their children of the cheap education thus offered ; and these parents paying the small school fees, may be said to resemble in no small degree the receivers of out-door partial relief under the poor laws, whilst those parents who get their children entirely educated at the expense of the ratepayers and taxpayers, are to that extent, on much the same footing as house paupers, only they give no labour whatever in return for the relief to their pockets. The fees asked for this education are so extremely small that they are almost nominal.

The latest statement by the Chairman of the London School Board shows that the scholars' fees did not amount to one-twelfth of the annual cost of their education, provided by taxes, rates, &c.

Are so many parents really unable to pay any fees at all ; and others, no higher fees than those charged or commuted for, or, is this apparent inability not the natural result of the edict for compulsory education, and of the particular manner in which the School Board Acts are being administered ?

Though a ratepayer may subscribe to local schools of one

* See net cost of Elementary Education in Appropriation Account 1884-5, and deduct the Board School Grants paid.

sort or another, he is nevertheless compelled to contribute to this Board School Rate, despite his entertaining the strongest objections to the style of instruction imparted therein, and to the class of teachers employed.

Adam Smith considered Public Education was not a purpose so well suited to Government as to private enterprise, for it must be observed that the codes and other regulations emanating from the Education Department, and the constant influence of Government Inspectors, &c., practically direct and govern the general action of the Local School Boards, and convert them into little else than local agencies of the State Government.

Then again, what rightful obligation is there attaching to a ratepayer irrespective of his means or ability, to provide mental culture and instruction for the offspring of other men, too idle, too improvident, too dissolute, or what not, to discharge their natural duties and liabilities in this respect.

By the fiscal provisions of the Board School Act, a prudent parent and ratepayer providing education for his children, is forced also to contribute to the education of the sons and daughters of reckless and improvident parents ; and these children will soon be competing with his own offspring in the struggle for decent subsistence ; moreover, they are educated in schools where all the best arrangements and appliances are provided regardless of expense, in the advantages of which his own children are not expected to share ; in fact some magistrates have altogether denied a ratepayer's right to share in these educational privileges.

The hapless ratepayer is in no way thanked for his forced contributions. Those getting their children schooled so largely at his cost, probably laugh at his short-sighted folly in permitting himself to be thus taxed.

Where now is the limit of a citizen's obligations to be drawn, for already there are proposals for free recreation grounds, free meals for the school children, free libraries, free drawing and other technical education classes, &c., &c.—in fact some such schemes are already supported from local rates !

Instead of attacking the *causes* of pauperism and ignorance, inequitable taxation and class legislation is resorted to as a *remedy* !

The late Professor Fawcett recognised the want of equity in

this expenditure, and suggested that some arrangement should be made for other classes to share in it.*

The Act of 1870, and the educational policy founded on it, and subsequent legislation of the kind, seem open to much criticism as well on social and political, as on economic and equitable grounds.

The Act of 1870, &c., open to objection on other grounds.

These matters cannot be discussed here in more detail, but it should be noticed that Government, by this compulsory system, and by influencing the natural course of popular education, is, in point of fact, really interfering with the employments of the people.

Farmers and other employers of manual and mechanical industry find increasing difficulty in obtaining a due supply of *cheap* muscular labour for farm, field, factory, and housework, and have to pay a much more heavy tax than the School Board Rate in the shape of increased wages for these forms of labour.

The inferior quality of the services of those they are now forced to be content with, further heightens this wage tax.

It is a most suggestive fact that there has been a permanent decline in the number of marriages in the Kingdom since the year 1873.† The Education Act, it will be remembered, was passed in 1870. Moreover, there has been a constantly recurring diminution per head of population in the value of Imports into, and Exports from, this country since that time.‡

Suggestive statistics on the effects of Act of 1870.

These two coincidences surely have some significance.

A few other heads of local expense must be noticed more briefly.

Other expenditures not equitably chargeable on the general body of rate-payers.

With due regard to equity, ratepayers not requiring nor approving of Free Libraries, Free Museums, Baths and Wash-houses, &c., &c., should scarcely be obliged to pay rates in support of such institutions; for these are matters that could be more properly provided for by voluntary organisations, conducted with a view to profit, or to merely paying their own

* "Political Economy"—pp. 607-8.

† U. K. Marriages 1873—258,615; 1886—240,956; decrease 1886—17,659; Great Britain, decrease 12,070. See Statistical Abstract, 1887—p. 202.

‡ Decrease in value of Imports 1886, compared with 1873, £11. 10s. 9d. per head of population. Decrease of British Produce Exports per head in 1886 compared with 1872, £8. 0s. 10d. per head. Decrease in Imports and Exports 1886 compared with 1873, £4. 7s. 1d. per head. See Statistical Abstract 1887—p. 41.

cost. The two first-named are indeed fitting subjects for voluntary contributions from citizens desiring to benefit their poorer neighbours, but are surely not matters for taxing a community. As supported from the rates, they are fair examples of that keen desire to manage other persons' money for them, so prevalent with a certain class of minds, and which finds its natural satisfaction in being very lavish mainly at the cost of others.

Rates for providing and maintaining New Burial Grounds seem of doubtful propriety, for it would not be difficult to suggest a more equitable method of providing funds for such needful establishments; for instance, the plan of combining with local enterprise, *ample* local government control for duly protecting local interests.

The great American economist—Professor Amasa Walker—considers it an axiom of political finance, that Government should undertake nothing which can be left to individual enterprise,* and this seems an undertaking coming under that category, as also do Gas and Water supply undertakings, provided that adequate precautions are taken for protecting the interests of the local community or general district affected. Special businesses of these kinds require technical knowledge for properly conducting them, and demand constant supervision.

Expenditures
equitably
chargeable to
Owners rather
than to Occu-
piers.

Some of the expenditure from the local rates, especially in the metropolis and the larger cities and towns, is in the nature of a preliminary outlay, sometimes even of a speculative character, such as preparing and arranging localities for dwelling or other purposes, laying down new streets, drainage schemes, embankments, demolition of houses, and so forth—outlay not equitably chargeable on occupiers of houses, but on the owners who reap the profit from the higher rentals secured to them by this expenditure. Most remunerative often to owners of property is outlay of the kind, and occupiers in such localities cannot with due regard to justice be compelled to provide entirely, or partially even, the funds required for these undertakings.

Under the present system, however, not only have tenants to provide the capital but also to pay almost all the annual cost

* "Science of Wealth"—p. 391.

of maintaining the works, buildings, &c., which contribute so largely and continuously to increase the value of the property of the owners, who in course of time acknowledge their beneficence by further increasing the occupiers' rentals.

Parochial authorities are certainly becoming more vigilant respecting such matters, but in places like the metropolis, where the ratepayers are specially ill-represented, instances of such expenditure being charged on the rates could be readily produced.

Whether such ratepayers are leaseholders or more temporary tenants, matters little, for in either case they can derive but small benefit during their tenancies from their contributions to this outlay.

Respecting the expenditure on local Police, Magistrates, Gaols, Prosecutions, &c., there is no doubt some truth in the argument of the late Mr. R. D. Baxter, who showed in his work on "*Local Government and Taxation*," that such expense was far more needed for the defence of *personal* property than of *real* property, though the former is practically exempted from paying rates for defraying such expenses; but as occupiers mainly pay and bear the rates, the weight of this argument is somewhat impaired.

Personal property not assessed for local expenses fairly chargeable on it.

There are other matters of some importance equitably considered, which might be noticed, but sufficient has perhaps been advanced to show how the local expenditure is devoted in a large degree to the advantage of certain classes only, instead of being spread over the entire local community.

I would venture again to suggest that a thorough investigation of the Local and the Imperial Budgets is necessary in order rightly to allocate the items of income and expenditure belonging to them respectively.

General reflections
Revision of budgets.

Before quitting this subject of expenditure, I would observe that in the year examined—1884-5, the Imperial and Local Budgets show an expenditure of about £20,000,000 on the relief of destitution and the special education of the poorer classes in the Kingdom.

Vast expenditure on the relief of national destitution.

But in addition to this, we must consider the untold millions of pounds subscribed by our generous countrymen and women to all sorts of charitable institutions, hospitals, dispensaries, and other local organisations for relieving distress, the various

church and chapel funds for helping poverty, both in money and in kind, including education, besides the enormous amounts which must be given in private charity in the shape of money, food, clothing, &c.

Is our social
organisation
and polity at
fault?

Reflecting on these immense contributions annually expended in relieving destitution or poverty in the United Kingdom, we may well entertain doubts as to whether our national organisation as a civilised community is not seriously defective in some vital parts of its machinery; whether we are not, as a nation, rather retrograding than advancing; and whether we are not multiplying millionaires on one hand, but creating hordes of paupers, or persons stamped with the impress of pauperism, on the other.

This last view is certainly not in accord with some statistics lately presented, founded on returns of Income Tax, Probate Duties, Savings Banks, &c.; but much may be said as to the value and appositeness or otherwise of the evidence thus adduced, and it is much to be feared that the unmistakable signs of real and widespread distress about us, in town and country alike, and other indications not so apparent on the surface, must outweigh statistical evidence of a character that may bear more than one interpretation. The systematic evasion of Income Tax and Death Duties, which is certainly going on to a vast extent, entirely vitiates those statistics, I believe.

Informal
taxation.

Having now dealt with the more distinct forms of taxation affecting us as subjects and citizens under Imperial and Local Government, and glanced briefly at some branches of the expenditure from the funds so raised, in which there seems a disregard of the equities of taxation, I must not omit to notice that there are, besides these, some *informal* ways in which subjects may be taxed by Imperial and Local Authorities.

For instance, laws may be passed by the Legislature, in fulfilling the obligations of which, expense may be entailed on particular persons, associations, or classes; or certain employments, processes, or acts, may be prohibited, in respect of special manufactures, trades, businesses, industries, &c.

In a measure such laws would operate as informal tax laws, undoubtedly have so operated, and are at present operating; and this more powerfully and distinctly than is often supposed.

The Acts respecting importations of foreign cattle, and the

Orders of Council based thereon, represent one phase of this informal taxation ; the regulations as to sale of poisons, storage, &c., of petroleum, smoke prevention, &c., are other forms of it, and there are corresponding examples to be found in Imperial and Local regulations.

Without going into more detail, it seems proper to draw attention to this matter, as it is a subject sometimes, perhaps, lost sight of in Parliamentary and Local legislation.

THE BRITISH TAXATION AS AN ENTIRE SYSTEM.

Diversity of
taxes em-
ployed in
raising the
needful reve-
nues.

From the preceding examination of each tax in the Imperial and Local systems we have seen that, though grouped together under the general titles of Customs, Excise, Stamps, &c., the most diverse forms of taxation are really comprehended.

A further analysis of the various taxes shows that there are no less than 165 separate articles, commodities, uses, employments, documents, instruments, or actions, subject to taxation, these "tax objects" (as the German writer, Lorenz von Stein, terms them), being charged with some 565 specific rates of tax, and with probably some 250 more contingent, but unspecified rates.

The typical
year (1884-5)
a fair one for
comparison.

In the typical year selected for treatment (1884-5) tax provision is made (as I have already said) for a somewhat high level of expenditure, but it only slightly exceeds the sum which a noted Parliamentary economist has lately declared to be amply sufficient for all the legitimate purposes of our national Government.*

The total tax production of 1884-5 was much the same as in the two following years, as the Table opposite shows.

The revenue from fermented liquors, under the head of "Excise," shows certainly a marked tendency to decline, but the loss is more than balanced by the increase under "Income tax," due to the higher rate imposed in 1885.

Contrasts in
the taxation.

Examining into the action and results of the numerous taxes included in the two systems, we see some of them bringing in enormous revenues, others the most paltry sums; some affecting the entire community or extensive portions of it, others merely a small class or group of individuals.

Some taxes we find impaired and crippled by numerous and important exemptions, others subject to variation of rate and

* Lord Randolph Churchill, in a speech in the early part of 1888.

**THREE YEARS OF IMPERIAL TAXATION TO 31ST MARCH,
1887, COMPARED.**

Taxes—United Kingdom.	Percentages of Total Taxation.		
	1884-5.	1885-6.	1886-7.
Customs	26·48	25·45	25·59
Excise and Licenses	34·67	32·67	32·06
Stamps (including Death Duties)	15·54	14·88	15·02
Land Tax ..	1·39	1·34	1·36
Inhabited House Duty	2·46	2·37	2·42
Income Tax	15·64	19·46	20·20
<hr/>			
Excess Profits from Post Office } and Telegraph businesses ... }	96·18	96·17	96·65
	3·82	3·83	3·35
<hr/>			
	100	100	100
	£76,727,728	£77,914,343	£78,754,107

The above percentages are calculated from the Tax Revenue figures shown on page 13, Statistical Abstract, 1887—No. 34, Exchequer Receipts.

abatements according to the diverse circumstances of the tax-payers or the particular objects of taxation, whilst others again are susceptible of no variation or deduction for any causes whatever, connected with the taxpayer, the tax bearer, or the tax object.

To show with greater distinctness the relative importance of each tax and of certain classes of taxes in the two general tax systems, I have constructed three Tables, illustrating by percentages the Imperial, the Local, and the Aggregate or Conjoint taxation of the United Kingdom, excluding as far as possible revenues not strictly in the nature of taxation, and I have classified the various taxes according to their incidence,—firstly, *On Income or Wealth coming into possession*; secondly, *On Outlay of Wealth or Labour going out of possession*; and thirdly, *On Property in possession*. The distinctive features of each tax will, I think, be better illustrated by this arrangement than by classifying them merely according to their designation as *Direct* or *Indirect* Taxes. For this last plan is open to the obvious objection that under varying circumstances most taxes may assume the character of being both direct and indirect, and it may be impossible to decide in regard to a given tax, what

The relative importance of each tax and group of taxes.

New classification of the taxes.

The usual
mode of
classification.

proportion of it should be classed under either category. With regard to this more usual mode of classification I may state that in my typical year—1884-5—we shall find—

The Imperial Revenues deriving

34·96 per cent. from Direct taxes
65·04 „ Indirect „

The Local Government and Tithe Revenues deriving

98·53 per cent. from Direct taxes
1·47 „ Indirect „

And the Aggregate, or Conjoint Revenues, deriving

55½ per cent. from Direct taxes
44½ „ Indirect „

But, as I have shown in my remarks on the individual taxes, much of the Direct taxation is really indirect, the Incidence of it being speedily shifted on others by the original taxpayers, and unquestionable injustice might result from the assumption, that Direct taxes rest finally on those who pay them to the tax or rate collectors.

Final inci-
dence of taxes
less obscured
in new
classification.

By the tabular arrangement adopted, it seems to me that the final incidence of each tax is less obscured than by the classification into Direct and Indirect taxation.

The three Tables—A, B, and C—are subjoined ; A showing Imperial taxes, B Local taxes and Tithe charges, and C the Aggregate taxation.

TABLE A.

IMPERIAL TAXATION (EXCHEQUER RECEIPTS) IN 1884-5 DERIVED FROM—

(1) Gross or Net Incomes, Profits, Proceeds.

Income Tax	£12,000,000 =	15·64	{ Percentage of Imperial Taxes.
Death Duties—Probate Legacy, &c.	7,759,010 =	10·11	
Railway Profits (Passenger Duty)	392,398 =	·51	
Total Taxation of Receipts, Income, &c....	£20,151,408 =	26·26	

TABLE A—continued and concluded.

(2) *Expense on consumption, use, enjoyment, exercise, &c., of certain commodities, objects, occupations, &c.*

Taxation of	Alcoholic Liquors*	£28,222,960 =	36·78	{ Percentage of Imperial Taxes.
"	Tobacco, Cigars, &c.....	9,201,043 =	11·99	"
"	Groceries, &c.	5,528,029 =	7·21	"
(£43,122,000)	Medicines	169,968 =	·22	(56·20) "
Taxation of	Documents and Armorial Bearings.....	3,773,215 =	4·93	"
"	House Occupation by ten- ants. Inhab. House Duty†	1,248,868 =	1·63	"
"	Use of Carriages	546,045 =	·71	"
"	" Dogs	341,680 =	·44	"
"	" Firearms	262,025 =	·34	"
"	Gold and Silver Plate	78,062 =	·10	"
(£6,264,821)	Playing Cards	14,926 =	·02	(8·17) "
Taxation of	Makers, traders, &c., in } Alcoholic Liquors*	1,906,912 =	2·49	"
"	Do. in other trades, &c. ...	220,220 =	·28	"
"	Excess Revenue from Post } Parcels, Telegrams, &c. . }	2,931,728 =	3·82	"
"	Professions, Occupations, &c.	290,551 =	·38	"
(£5,488,867)	Male Servants	138,956 =	·18	(7·15) "
Total Taxation of Expenses, Outlay, &c....		£54,875,188 =	71·52	"

(3) *Property in Land, Houses, &c., in respect of Ownership.*

Land Tax	£1,065,000 =	1·39	{ Percentage of Imperial Taxes.
Inhabited House Duty†	636,132 =	·83	"
Total Taxation of Ownership of Property.	£1,701,132 =	2·22	"
TOTAL TAXES ON INCOMES, OUTLAYS AND } PROPERTY IN THE YEAR 1884-5	£76,727,728 =	100	{ Percentage of Imperial Taxes.

* The Duties on Alcoholic Liquors and Makers and Sellers thereof supply 39·27 per cent. of the entire Imperial Taxation, including Warehouse Charges and Excess Receipts from Excise paid into the Exchequer.

† The apportionment of *House Duty* between Occupiers and Owners in Scotland follows the proportion of Local Rates estimated as paid by them respectively (see page 4, Local Taxation [return]). In England and Wales I have estimated it as paid, two-thirds by Occupiers and one-third by Owners.

N.B.—The new "Corporation Duty," first levied in 1885-6 (£33,662), would represent only ·04 per cent. of the Imperial Taxation if added to the total of the year 1884-5.

TABLE B.

LOCAL TAXATION, TITHES, AND TITHE RENT-CHARGES, 1884-5,
DERIVED FROM—

(1) *Receipt, Proceeds, Produce, &c. (estimated or actual).*

Tithes and Tithe Rent-charges, &c.	£4,250,000 =	11·39	{ Percentage of Local Taxes.
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(2) *Expense in occupation, use, consumption of certain objects,
commodities, &c.*

Land, Houses, Mines, Railways, &c.*	£20,988,554 =	56·28	{ Percentage of Local Taxes. " " " " " "
Coals	473,156 =	1·27	
Grain... ..	17,449 =	·05	
Wine	9,395 =	·03	
Total Taxes on Outlay, &c.	£21,488,554 =	57·63	„

(3) *Property in Land, Houses, &c., in respect of Ownership.*

Lands, Houses, Mines, Railways, &c.* ...	£11,554,780 =	30·98	{ Percentage of Local Taxes.
TOTAL TAXES ON RECEIPT, EXPENSE, } AND PROPERTY, 1884-5	£37,293,334 =	100	„

* In this apportionment Scotch Rates are divided in the proportion shown at page 4 of the Scotch Local Government Return, as estimated as contributed by Occupiers and by Owners respectively.

In Ireland I have estimated the Rates as paid, half by Occupiers and half by Owners; and in England and Wales, as paid two-thirds by Occupiers and one-third by Owners.

TABLE C.

IMPERIAL AND LOCAL TAXATION AND TITHE AND TITHE RENT-CHARGES
IN THE YEAR 1884-5 DERIVED FROM—

(1) *Gross or Net Incomes, Profits, Produce, &c.*

Income Tax, Death Duties, Tithes, and } Tithe Rent-charges	£24,401,408 =	21·40	{ Percentage of aggregate Taxes.
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(2) *Expense on consumption, use, enjoyment, exercise, &c., of certain commodities, objects, occupations, &c.*

Food, Alcoholic Liquors, Tobacco, Drugs .	£43,148,844 =	37·84	{ Percentage of aggregate Taxes. " " " " " "
Lands, Houses,* Coals, Documents, &c. ...	27,726,531 =	24·32	
Employments, Manufacturing, Trading, } Professional	5,488,366 =	4·81	
Total Taxes on Outlay	£76,363,741 =	66·97	

TABLE C—*continued and concluded.*
 (3) *Property in Land, Houses, &c., in respect of ownership.*

Land Tax, Inhabited House Duty, Local Rates on Owners *	£18,255,912 =	11·63	{ Percentage of aggregate Taxes.
TOTAL OF IMPERIAL AND LOCAL TAXES ON INCOMES, PRODUCE, PROFITS, OUTLAY, AND PROPERTY †.....	£114,021,061 =	100	„

* In Scotland the apportionment of Rates and Inhabited House Duty between Occupiers and Owners is made according to the proportion estimated at page 4 of the Scottish Local Taxation Returns, 1884-5. In England and Wales I have estimated the proportion as two-thirds Occupiers, and one-third Owners. In Ireland the Rates are estimated as paid, half by Occupiers and half by Owners.

† Excluding as far as possible all public revenues not strictly in the nature of taxation.

From these Tables may be seen how various are the bases upon which the taxation of this kingdom rests. The Tables explained.

In each Table, the first group of bases represents either gross or net income, or proceeds, gross or net profits, or produce in money, or kind :—the second group represents expenditure or outlay, on certain consumable commodities, such as food, drink, tobacco, drugs, and coal ; on certain documents, business transactions and devices ; on hire or use of houses, carriages, dogs, firearms, plate, playing cards ; on the manufacture of or trade in alcoholic liquors, and some other commodities ; and on certain occupations and employments, including that of the Post Office, as carriers, &c., &c. :—the third group may be said to represent ownership of lands, houses, &c.

But it must be noticed that the assessment of these last, excepting the Land Tax, is officially based on their *occupation*, not on their *ownership*, and thus we can fully realise how insignificant is the amount of taxation derived from that most substantial basis—*ownership of property*, and how that basis has been ignored or thrust aside in the British fiscal system.

These taxes, however, being paid, and to some extent borne, by owners, I have classed them accordingly as *property or ownership taxes* ; but after doing this, and allowing an ample estimate for the tax produce from this basis, it will be seen that only 11·63 per cent. of the entire national taxation is thus derived, and 2·22 per cent. only of the Imperial Revenue.

It may be said, that taxes on income and profit, and those on expenditure of all kinds, including labour and exertion, are in some measure taxes on property. This is no doubt true,

but it is quite impossible in almost every instance to determine to what extent they are so, and this inability constitutes, in the opinion of many economists, a grave objection to such bases for taxation.

Loose and unsatisfactory finance fostered by present fiscal systems.

What first strikes one in considering our British tax systems, is—the marked absence of any principle to guide and regulate the amount of taxation to be raised in a particular year—the equitable proportion to be raised in particular provinces or other territorial divisions, and—the particular amount that should in equity be devoted to Imperial and Local objects in certain provinces, districts, and other areas of expenditure.

The Budgets apparently are framed on the idea that the sum of the regular and usual annual claims, added to that of all other claims that can no longer be resisted or deferred, is the measure of “ways and means,” to be provided by ordinary or extraordinary taxes and rates, or other revenues.

This scarcely seems a reasonable or salutary arrangement for estimating and providing for the Public Services of the State.

A method somewhat more definite and “*scientific*” (if the word may nowadays be used without giving dire offence) could surely be devised, though it may well be doubted whether it could be fully attained, without first putting the tax systems on such a basis, that its official records and statistics would furnish substantial and valuable data for finance ministers and local authorities, charged with these matters of expenditure and taxation, and their relative distribution.

Into this subject I cannot here enter into detail.

The variety of taxes and tax bases.

The method of raising public revenues by different kinds of taxes and tax bases has been approved of by many politicians; indeed, several writers on economics support and defend the practice to a greater or less extent.

Monsieur J. B. Say, for example, contends that producers not hit by one form of tax would probably be hit by one of the other forms.

Mr. A. L. Chapin, a well-known American writer on taxation, thinks the advantage of combining different systems consists in *the defects of one being balanced by the defects of the other, while the advantages of all are secured.**

* “Johnson’s Universal Cyclopedia”—New York, 1878—Vol. iv., article “Taxation.”

But there seems much room for looseness and uncertainty in such conclusions, or we must assume an amazing power, on the part of administrators, of foreseeing the true incidence and pressure of every tax, and estimating their relative effects.

And is it not quite as likely that the *disadvantages of all may be secured*, besides the obvious one of extra expense entailed by the varied systems.

Considering the history of taxation in this and some other European countries with which we are acquainted, the power the rich possess in respect of their wealth and influence over financial legislation, and bearing in mind the subtle, but unmistakable, tendency of taxes to settle down on labour instead of on property, is it not more likely, that the varied and diverse taxation of income and expense may cause the burden of it to fall with extreme severity on some particular section or sections of the community?

Variety of taxes as affecting tax equality among classes and individuals.

As far as I can form an opinion, this seems to be its consequences and effect on the professional and such like classes in this country, whose incomes are derived wholly or principally from personal exertion.

They have to bear, in common with the propertied classes, what may be termed the "caste duties," by which I mean special expense for an altogether different style of dwellings, clothes, and other surroundings, to that imposed on the working or wage-paid classes, for without such expenditure they would lose caste and income alike.

Whilst subject to the numerous taxes affecting income and expense (over 88 per cent.), they in no way can share in the disbursements from Imperial and Local tax funds on behalf of the poorer classes.

They thus appear to be between the upper and nether millstones of taxation.

To what extent they are thus specially overtaxed I must frankly own that I am unable to form an estimate that would be worth the paper it was written on, much less the time occupied in the hopeless endeavour.

Professor Leone Levi attempted the problem in 1860, and arrived at the result, that the middle classes in 1858 paid only 11½ per cent. of their incomes in taxation, as com-

pared with 12 per cent. paid by the upper, and 14 per cent. by the working classes.*

This may seem rather to controvert my theory, but the expenditure specially contributed to the working classes from tax funds was not included as an element in the calculation, and since the year 1870 this class expenditure has seen the most extraordinary developments.

But it appears to me that the estimate was incomplete in some other respects.

The Professor freely owned how many difficulties attended such computations, and in various attempts of the kind since made, comparison has usually been restricted to two classes only—the *upper and middle classes combined* and the *manual labour classes*.

Besides Professor Levi, Mr. R. D. Baxter, Mr. Giffen, Mr. Cliffe Leslie, Professor Jevons, Mr. Mulhall, and other statisticians, perhaps less well known, have engaged in this inquiry during the past twenty-five years; but the inherent difficulties in the way of establishing a sound foundation of facts in reference to the many elements involved in the problem, seem insuperable. An example of several debatable and complex questions that might be raised in regard to such comparisons may be seen in the Appendix A.

They are rather formidable questions to grapple with, and a neglect of any one of them may materially affect the conclusions arrived at, and there is infinite opportunity for errors to creep in.

Even the census returns must be used with the utmost circumspection or the figures employed may tend to very wrong inferences.

It may well be doubted whether these attempts to separate the community into distinct classes, artificial at the best, are altogether desirable or even judicious from a political point of view.

M. Du Puynode considered the uncertainty of the incidence of taxation as alone sufficient to defeat all such inquiries.

Statements concerning the relative taxation borne by England, Scotland, and Ireland are, perhaps, not open to as many objections.

* See his work "On Taxation," p. 14.—J. W. Parker and Son, London.

So far as they show the amount of taxes *collected in each country* they may be correct enough; but as proofs of the *taxation borne by each country* they are simply misleading.

Rightly to ascertain *the taxation that should be borne by each country* both sides of the national accounts necessarily should come under review, and both the Imperial and the Local Budget be included in the computation.

In the Appendix will be found a Table (B) compiled in 1886 to show, so far as the public accounts enabled me, the relative position of Great Britain and Ireland as regards the Imperial taxation of the year 1884-5.

In some instances, where estimates had to supply the place of facts not forthcoming at that time, the figures are not quite satisfactory; but the Table I believe reflects truthfully the actual position of affairs so far as the facts obtainable permitted.

With due regard to equity the public expenditure of a country should surely bear some sort of relation to the revenue actually contributed to the national exchequer, even though any approach to equality may be out of the question.

From my own investigations and those of others into this subject, it would appear that Scotland has much reason for dissatisfaction on this score, whilst Ireland is singularly favoured at the cost of Great Britain. But it is impossible to determine how far this may be justifiable on account of actual poverty in Ireland, or whether it is justifiable at all.

The great variety of the taxes and tax bases is, I believe, answerable in large measure for this uncertainty as to whether individuals, classes, or provinces are contributing their fair and equitable quotas to the general tax fund.

The variety of taxes and tax bases further considered.

Taxation has often been likened to the act of bleeding an individual, and though the analogy is far from being perfect, let us accept it for our present purpose, and ask ourselves what would be our opinion of a surgeon who would open thirty or forty veins and a few arteries in his patient's body, with the object of relieving him of an excess of the circulating medium?

The answer is only too obvious; but the State, with its various taxes and tax bases, operates upon us as its patient in much the same way.

Like many other writers on *taxation*, the late Dr. Farr

has compared it to *an annual rent paid to the State for its services.**

In language slightly different from his, let me picture a landlord (the State in other terms) inducing a tenant to pay his rent, not in cash, and in one sum, but in a circuitous way, by allowing him (the landlord) to go to his grocer and take a portion of the tea, coffee, &c., held for the tenant's usual consumption, and so, in like fashion, to go to his brewer, publican, public carriers, solicitors, and some other special businesses with which he had commercial or exchange relations, and compel them all to give him then and there a portion of their commodities or services, and recover the amounts at a future time from his tenant! This is what the State, practically and in effect does with its varied tax levies, for the money received in the shape of taxes, economically considered, represents merely the actual goods, services, &c., taxed.

A landlord proposing such a system, would rightly be regarded with distrust by his tenant, and it seems a no less objectionable method of rent levy, because it is adopted by an abstraction—the State.

Indirect taxes
and their
effect on tax
equality.

And we are now naturally led to consider, what is perhaps the chief cause of obscurity in the relative taxation of individuals, classes, and provinces, namely, *the indirectness of much of the taxation.*

How many economists concur in the opinion that it is impossible to discover the true incidence of indirect taxation!

In our fiscal system the great preponderance of indirect taxes, and of taxes only nominally direct, makes any attempt at adjusting the relative pressure of the entire taxation on persons and classes, a singularly difficult problem; indeed it would seem to be beyond the capacity of the keenest intellect, to judge from the unsatisfactory results of fiscal legislation.

Professor Francis A. Walker puts the case thus:—"In a state of imperfect competition there is no assurance that indirect taxes will be diffused equally over the whole community, leaving each class and individual in the same relative state as before the tax.

"The legislator cannot then adopt the comfortable doctrine of indifference of place and person where and on whom the

* "Journal of the Statistical Society"—January, 1853.

burden shall be laid. He is responsible for the ultimate effects of the tax he imposes, both as to equities of contribution and the general interests of trade or production.

"To throw taxes on consumption back upon the capitalist or employer becomes, in my judgment, a very difficult task, and often quite impracticable."*

The usual apology for indirect taxation has been—*that tax-payers do not see or feel it as they do direct taxes.*

Apologies for indirect taxation.

This may be a valid excuse enough in the opinion of a despot or of an oligarchy ; but as applied to the fiscal policy of a free State, or of a Government depending for support on its faithfully representing the interests of the general body of electors, such an apology seems particularly unhappy and out of place.

Among other quotations inserted before the preliminary chapter is one on this subject from Professor Wayland, showing how opposed to the spirit of free popular government was this defence of indirect taxation as a State system.

A deceitful policy of the kind appears unworthy of Ministries elected by the votes of a nation, and must surely, in the long run, defeat its own object and ends.

Monsieur De Parieu, describing in 1866 the very large proportion of indirect taxes levied in the United Kingdom as compared with France, ascribed it as possibly due to the British love of freedom ! At that time the true cause probably was, the singular easy-going carelessness of Britons about tax incidence ; but there has been much more attention given to these matters lately, owing to times being less prosperous, and to the march of education.

By means of cheap newspapers, popular publications, workmen's clubs, &c., the masses are becoming more informed on these topics, and now it is more probable that misunderstandings and contentions may arise from the exaggerated ideas and statements of demagogues respecting the pressure of indirect taxation on the wage-paid classes.

Mr. Gladstone once compared *Direct* and *Indirect Taxation* to two twin sisters (the daughters of Necessity and Invention) ; the former, of lighter complexion, and more free and open ; the latter, of a darker complexion and more shy, retiring, and insinuating.

* "Political Economy"—London, 1883—pp. 460-1.

In this comparison they would appear to be the nation's two housekeepers.

Had the simile been carried a little further, we might have seen Miss Direct asking at regular periods in a free and open way for a definite sum of money, and Miss Indirect asking at all times and seasons in her insinuating way for the purse, sometimes abstracting it whilst we slept, that she might pay bills for undefined amounts, and in a shy and retiring way returning the purse, with much less in it than we had expected to find.

It is impossible to avoid the conclusion that the former would be the style of housekeeping most acceptable to Britons and the British love of honesty and straightforwardness.

M. De Parieu, admitting that indirect, are not so manifest as direct, taxes on actual wealth, is of opinion that the latter are more legal in their nature, more just, and more comprehensive in their action.*

It has sometimes been contended that indirect are more popular than direct taxes; but M. Du Puynode, who has given this subject much attention, has shown that the former have most often met with unpopularity on the Continent.† This probably arises from foreigners being generally more thrifty than Britons, and more keenly sensitive to the effects of the taxes imposed on them.

If Lorenz von Stein be correct in his axiom—that *all indirect taxes on consumption and expenditure are really taxes on labour*‡—it is easy to understand their unpopularity abroad amongst the parsimonious or thrifty peoples of Germany, France, &c.

Exemptions
and Differen-
tial Rates as
affecting
equality of
taxation.

Another hindrance to equality exists, in *the extensive exemptions*, and *the differential rates*, which affect particular taxes comprised in the two systems—Imperial and Local; for instance, the exemption of Ireland from many direct and indirect taxes falling on Great Britain—the exemption of houses under £20 in value from House Duty—of untenanted houses from House Duty, Rates, and Income Tax—of incomes under £150

* "Traité des Impôts"—p. 119.

† "De l'Impôt," &c. Tome 2—p. 183.

‡ "Lehrbuch der Finanzwissenschaft"—Leipzig, 1875—3rd Edition, page 349.

a year from Income Tax—of trade carts and waggons, and many other cases where property or income escapes under various pleas; also the differential rates of House Duty, Income Tax, Death Duties, Carriage and Hackney Carriage Duties, &c., &c., the equity of all which seems very questionable.

Perhaps a few of these exemptions and differences were honest attempts to equalise taxation, but much more frequently I think they will be found to have been mere expedients for avoiding popular discontent and clamour on the introduction of schemes for fresh taxation.

Having adverted to these subjects when dealing with the several taxes in detail, I need not pursue the matter here more fully, beyond remarking that the practice of exempting the Crown, the Government Departments, Charitable and Religious Institutions, the Poor, &c., from paying their fair quotas to the national taxation, is, economically viewed, nothing less than a grant of so much of the public money to these institutions and classes. Mr. Gladstone years ago pointed out this fact when proposing to make hospitals and other charitable institutions liable to the Income Tax.

As a matter of finance and accountancy, it would seem far more correct to treat all such exemptions *as grants*, and introduce the amounts as credits to the tax revenues, and as debits to the national expenditure accounts.

But there is another and a graver consequence to be apprehended from this extensive system of exemption, noticed by Mr. Babbage and some other writers. In referring to the Income tax I have glanced on this subject, but it deserves to be further dwelt on here as a matter of political import.

Millions of the wage-earning classes and smaller traders, by reason of these numerous exemptions and exceptions in their favour, are being brought to believe that they are not fit and proper subjects of taxation; hence arises a source of political danger, for in some great crisis, demanding heavy additional expenditure and taxation, perhaps to preserve our very existence as a nation, the votes of the masses may compel the Government then in Office to cast such extra taxation wholly upon the upper and middle classes, and thus shake the stability of the whole social fabric. Indeed it would not require a crisis like this, to enable the recently enfran-

chised classes to bring about much injustice in the national expenditure.

No doubt under any fiscal system a portion of the taxation must fall on the working classes, but there seems a positive security in their being taxed according to a clearly-defined plan, in their being taxed fairly and equitably, in their being made to recognise that they *were taxed and taxed fairly*, and that the advantages gained by the national taxation and expenditure were shared by themselves in common with the upper classes. The fiscal powers and resources of future Finance Ministers may be dangerously weakened by continuing the present plan of exempting the masses from all visible contribution to the national exchequer.

The Drink taxes, their excessive rates and evil results.

The questionable policy of making the Imperial revenue depend so largely on taxes on the consumption, manufacture, and sale of fermented liquors, has also been before referred to when dealing with the question of Drink Licenses, but I must again notice it, though briefly.

The high tax rates are clearly ineffectual in reforming the drinking propensities of the nation, for the same rates have existed for many years with negative results in promoting temperance. The active campaign lately waged by the numerous temperance societies is no doubt the chief cause of the reduced consumption of strong liquors per head of the population during the last few years; but there is another potent factor I believe at work, in the increasing purity of beer, following the change from a tax on malt and hops to one on the latest stage of the manufactured article; and this purity in beer further acts in diverting expenditure from spirits and wines and attracting it to beer, which now does not act so injuriously when drunk in excess.

That one particular branch of business should be taxed so heavily as to be made to furnish nearly 40 per cent. of the Imperial tax revenue (including net profits from Post Office and Telegraphs) must surely be attended with evil results, both in creating huge monopolies in articles needing so much capital to meet the initial demands of the Revenue Officers, and in encouraging wholesale adulteration, smuggling, and other kinds of evasion induced by the excessive tax rates.

Optional character of

The injurious nature of these Drink Duties has sufficiently

been exposed in treating them under the distinct heads of Customs, Excise, and License Duties, so I will now proceed to notice *the optional character of these and other taxes in the Imperial system.*

many Imperial taxes.

Its effect on tax equality.

Viewing taxation in its true aspect—as a rent paid to Government for the advantages it secures to us all, what equitable right has Government to remit a great proportion of this rent to certain individuals on the ground that they do not consume certain articles in which it has a vested interest? The advantages of the State institutions continue to be enjoyed by these favoured persons; what equitable right, then, have they to demand or expect a remission of more than half this rent on account of their not consuming certain commodities taxed at abnormally high rates, perhaps because they do not like them or because the articles do not agree with them?

The State spends on police, prisons, and such like outlay more or less associated with the liquor trade, liquor consumers, and their regulation, only a small proportion of these Drink taxes, which are viewed by it merely as ready and easy sources of revenue. Neglecting to cultivate more promising and legitimate fields of taxation, it confines itself too much to planting these heavy taxes on fermented liquors, and of course reaps together with the natural harvest, unlimited crops of weeds in the shape of drunkenness, crime, insanity, poverty and misery, the results of adulterated seed and an exhausted soil.

So long as subjects can evade their fair share of the national burdens by abstaining from the use of certain articles of general consumption taxed at specially high rates, such as fermented liquors, tobacco, &c., so long must all tax compensation schemes be illusory, and equality of taxation continue to be nothing more than an idea.

Another cause of obscurity concerning the relative taxation of individuals, classes and provinces, arises from the system of expending many millions of imperial and local tax funds upon *special classes*, instead of upon the general body of taxpayers and ratepayers.

Expenditure from tax funds on special classes and its effects on tax equality.

Having already noticed this disturbing element, when analysing the subject of local taxation and expenditure, it is perhaps unnecessary here to dwell on it further than to observe that it seems essentially necessary that the two tax funds, and

the expenditure therefrom, should be kept entirely distinct and apart—the respective budgets showing no cross entries or transfers from imperial to local funds, or *vice versa*.

Comparisons
with
Foreign Fiscal
systems
useless.

No practical advantage can apparently be gained from comparing our fiscal system with those of foreign countries.

The constitutional and social laws, customs, and institutions of nations differ so vastly, that the widest divergences between their respective fiscal and financial methods must naturally result.

For instance, in countries where conscription is the law, and all able-bodied young men undergo military service for many years, we, naturally enough, perhaps, see free education provided for the people, by the State.

So also in countries where there are few and easy steps in the social ladder or scale, and primary education can be on one system for all classes.

But the State expenditure and the amount of taxation are also greatly influenced by the geographical position and necessities of a country, so that it really becomes impossible to find any substantial basis for fiscal and financial comparisons between States, the elements for such comparison being much too involved.

Protection in
a most subtle
and effective
form exists in
our fiscal
system.

It is the custom in this country to criticise adversely the protective policy and tariffs of the United States, Canada, Victoria, and other foreign or colonial States ; but there seems much justice in the remarks of the Hon. David A. Wells, when Special Revenue Commissioner of the United States in 1869, and reporting on mooted questions of taxation, wages, &c., &c.

He pointed out that the British policy of *exempting capital employed in manufacturing and banking, from all direct taxation, and freeing raw materials, from all Excise and Customs duties, was undoubtedly protection in its most subtle and effective form*, and, as such, had been recognised and commented on by the French economists.

This protective system is no doubt partly answerable for the difference seen in this country in the relative prosperity of manufacturers and farmers, the latter being subject to special taxation on their raw material—the land—by means of rates, land tax, &c., and on their finished produce, by means of tithes and tithe rent-charges.

The first part of my task is now completed: I have exhibited the network of taxes which successive legislators have weaved and thrown around us all, here and there discovering huge gaps, through which numbers may escape, in other parts dragging with a tension nearly insupportable, and hampering the natural free action and development of those enclosed in its meshes.

Concluding
remarks.

It has probably occurred to many that there may be some better way of collecting this State Rent which we call "*taxation*" than our unjust, irritating, obscure, and expensive system, productive of so many and grievous wrongs which British taxpayers suffer under.

In a second and concluding part of this work I propose to consider those laws of Political Economy and Statecraft which appear to govern and regulate this matter of taxation, and notice some elementary principles of equity affecting it, which may be regarded as *the British Taxpayer's Rights*; to give the outline of a system of taxation designed to rest on a broad, just, and politic foundation, so far as I am able to understand the difficult subject of the *British Taxpayer's Remedies*; to meet anticipated objections to the scheme, and to offer some suggestions concerning the gradual introduction of the system with as little disturbance as possible to the financial arrangements of the Kingdom.

I will conclude by giving the substance of two paragraphs written by M. Du Puynode on proposing certain tax reforms in 1853.*

It is not possible now to accomplish the many reforms suggested, but it is the duty of the writer to point out the desired goal, as it is that of the politician to approach it with circumspection.

The first aims only at truth and justice, the other has to consider what is possible and what is opportune.

* "De la Monnaie, Du Crédit, et De l'Impôt" — par M. Gustave Partouneau Du Puynode—Paris, 1853—Preface, p. 14.

THE BUDGET PROPOSALS OF 26TH MARCH, 1888.

The Budget proposals of 26th March, 1888.

THE financial proposals of the Government embodied in the Budget require some notice so far as they relate to certain points raised in the foregoing inquiry, which may be considered as fully or in some degree met by the proposed legislative measures.

Inequalities in National taxation admitted.

The inequitable character of our tax systems has been sufficiently acknowledged by the Chancellor of the Exchequer, and he even goes so far as to admit that professional men and others mainly dependent for income on personal exertion, and the lower middle classes also, are fit subjects for especial consideration in matters of taxation.

Inadequate remedies proposed.

But the remedies proposed for the wrongs under which taxpayers and ratepayers suffer do not seem to meet the necessities of the case, or to be likely so to do in course of time; and, on the other hand, appear certain to provoke renewed dissatisfaction and complaints by creating further anomalies and inequalities.

Compromise.

The compromise between principle and expediency which a politician sometimes finds it prudent to adopt may be clearly traced in these proposals.

General public opinion must of course be recognised and respected to a certain extent, but the exigencies of party and the interests of wealth must be more carefully consulted, and substantially safeguarded.

Several of the proposed changes in the local and imperial tax systems and taxes manifest a conflict between justice and expediency in their conception, the result doubtless of this spirit of compromise.

Specious nature of a part of the proposed.

First, I will notice the proposal to discontinue imperial grants for local purposes—an excellent measure if rightly

carried out; but imperial License Duties collected by imperial officials are to be handed over in place] of those grants, and then to be called *local taxes*. transfer to Local Bodies.

This is really a distinction without a difference. Local authorities will be able to draw cheques on the tax funds earlier perhaps, and it will be easier to keep the imperial and local budgets distinct.

But the cost of collecting these taxes must be charged on localities with due regard to equity, including of course a proper proportion of the expense of the central revenue offices, and it is not at all clear upon what principle this can be done.

In course of time it is probably intended to entrust local authorities with the duty of collecting all the License Duties; but till then the matter is far from being one capable of easy equitable adjustment.

Most of these License Duties are to continue fixed at the existing rates in all localities where levied; but there is one and an important exception—the Liquor Licenses.

Local bodies will have the power of raising these to a certain limited extent, which, if exercised, will bring in an additional revenue estimated at about £300,000. Thus the liquor trade, already most excessively taxed, will have to sustain an extra burden.*

But in this plan of tying up the hands of the local bodies in regard to the future rate of local licenses there is much of the maternal centralised system of local government practised in France, and which seems ill suited to our less restricted system.

In the course of a year or two, when settled down to their new duties, it would seem reasonable to entrust local bodies with discretionary powers in regard to raising or reducing most of these License Duties even at the risk of their reducing them with a view to attract capital and residents.

The further proposal to hand over half of the Probate Duty to local bodies is a most serious change, which seems certain to lead to permanent and irremediable confusion between the local and imperial tax funds and tax systems.

With due regard to justice, this tax cannot be distributed

* About 26½ per cent. of the entire Imperial and Local taxation, including Tithes and net profits on the Post Office and Telegraph business.

Limited powers of Local Bodies over the charges for Licenses.

Further taxes on the Liquor Trades proposed.

The limited power of the proposed Local Bodies in respect of License Rates and the French centralised system of Local Government.

The strange proposal to surrender half the Probate Duties to Local Bodies ! Utter confusion certain to ensue.

in proportion to the locality in which it is raised ; therefore it is clearly an imperial tax.

And here again, upon what possible principle is the cost of collecting this half Duty to be ascertained and charged to different localities as it equitably should be ?

But worse than these, there seems in this device a deliberate attempt to perpetuate the Probate Duty—of all the British taxes (except, perhaps, the Legacy Duty) the one most unjust, costly, offensive, and impolitic, as I believe I have sufficiently shown in my criticisms on the Death Duties. And in order to perpetuate this objectionable tax and weld its iron collar more firmly round the neck of the taxpayer, its proceeds are proposed to be shared with local bodies, who, thus subsidised, will have an interest, artificially created, in the continuance of unjust taxation.

The idea that Personality will pay more than before this proposed arrangement.

It is the merest figure of speech to say that personalty, after this change in appropriation will contribute to local funds any more than it did under the Grants system.

Of those imperial Grants a larger portion may with perfect truth be said to have been derived from taxes on personalty, whether in the form of Probate Duties and other imposts on incomes gained by exchanges of goods and labour, or of taxes on expenditure upon articles of use and consumption, *including houses*.

The appropriation of the half Probate Duty and its consequences.

The proposed distribution of the Probate Duty also will give rise to endless inequalities and differences, and not improbably will lead to increased expense in carrying out the provisions of the Poor Law Act from the bias given towards the indoor form of relief.

The suggestion thrown out that the income from Probate Duty will increase in future years is not calculated to tend to economy on the part of local bodies, but the knowledge that they must raise the rates to meet increase in their expenditure was conducive to proper frugality and thrift.

The proposed increase in Succession Duty must soon turn out an actual reduction.

The trifling increase proposed in the rate of the Succession Duty, another unjust and objectionable tax (as I have elsewhere pointed out), must be viewed as a feeble step indeed taken in the direction of making real property pay its proper share of the general taxation.

But to nullify any advantage from this petty increase, the

term allowed for paying off the half-yearly instalments of the Duty *has been doubled*; but more than doubled is the chance that the owner may die, and the tax lapse, before the proposed seventeen or eighteen instalments of this strangely assessed tax are completed. There can be but little doubt that the tax will produce less revenue in the course of a year or so under this proposed rearrangement.

To claim this proposed alteration in the Succession Duty, in conjunction with the proposition to transfer half the Probate Duty to local tax funds, as an equalisation of the Death Duties on personalty and realty, is preposterous. In no possible light can it be so regarded. It is much the same to payers of Probate Duty whether the moneys so paid go to local or imperial funds.

The idea that equalisation of Death Duties on Personalty and Realty will be attained by the proposed changes.

There is no apparent reason why they should derive any advantage at all from this transfer of half the Duty.

If either the local or the imperial tax fund is insufficient to meet its expenses, fresh taxes or increased rates of existing taxes, will have to be imposed.

The Chancellor apparently sees the transaction only from the Revenue Department's point of view, not from that of the taxpayer and ratepayer, who are not necessarily one and the same person.

The proposed Stamp Duties of 6d. per £50 on Bonds of foreign governments and companies, and of 10s. on certain registered Bonds, will remove anomalies in the taxation of these necessary securities; but, as the Chancellor somewhat regretfully admits, there must always remain a large number of business documents and forms which escape all taxation. Probably his regret will not be shared by many business men.

Proposed new Stamp Duties on Foreign and Registered Bonds.

These Stamp Revenues are only gained at the sacrifice of grievous waste of time, and of interference with business transactions and the free interchange of property of all kinds.

The present penny tax on Brokers Contract Notes, if increased 500 per cent. as proposed, to sixpence on transactions over £100, will certainly be charged to principals; but it hardly seems fair to exact this tax in addition to the taxes on the securities transferred.

Proposed increased tax on Brokers' Contract Notes.

As a mode of repressing or restricting gambling transactions of dealers (and perhaps brokers also), it may be doubted

whether it will prove successful, or be evaded by some astute devices ; but however that may be, the legitimate transactions of the public must pay the tax.

Proposed tax
on nominal
Capital of
New Com-
panies.

The proposed taxation of the nominal Capital of New Companies on registration after a fixed date, though introduced as a check on bubble and bogus concerns of the kind, looks very like granting protection to the existing companies, even whilst it is also proposed to include all fresh registrations of the latter.

The tax may probably have a good effect in respect of irresponsible promoters of "balloon" companies, but legitimate enterprises must also be affected by its imposition, and at a time, too, when they scarcely seem fair subjects for special taxation of the kind, for already a heavy registration fee is imposed on New Companies.

Surely some sort of local control could be brought to bear on New, and Old Companies too, without the necessity of new taxation.

The proposed
Stamp Duties
generally
violate tax
principles.

This and the preceding Stamp Duties (including the Death Duties) are fresh examples of the modern style of interference with the freedom of capital and property to move in all directions, a principle directly opposed to *Turgot's* great maxim—"that taxes should be paid for the preservation of property, not to prevent its formation, and that all taxes on a people's exchanges and business transactions were simply so many abstractions from the property so interfered with." But these taxes absorb men's time as well as their property.

The stricter enforcement of Stamp Duties proposed will perhaps arouse the attention of business men to this most serious interference with legitimate business transactions of all kinds. These petty exactions, with the loss of time occasioned to many by their imposition, cannot fail to react prejudicially on the interests of British Trade and British Commerce.

Stamp Duties seem a field for taxation that has been already forced to yield excessive crops, and is far from being in a promising condition, for the soil is showing evident signs of exhaustion, if the question is looked at broadly, and not from the narrow outlook of a revenue office.

Proposed
repeal of
Hawkers'

The proposed repeal of the License Duty on Hawkers and their Horses removes a tax on labour (though registration seems still

desirable for many reasons), and at the same time an anomaly in regard to a Horse tax ; but the anomaly is proposed to be revived again, and with more intensity, in the shape of a new tax on Pleasure Horses, with a high differential tax rate on Racehorses, and a reduced one on Hotel and Stable-keepers' Horses, whilst Horses used for breeding, trading, and most business purposes, are proposed to be entirely exempt.

Licenses, but the imposition of a new tax on Pleasure Horses.

Here, under another name, is the old questionable plan of taxing so-called luxuries, and exempting so-called necessities, a policy not carried out uniformly in our national taxation.

Indeed it is confined to a very few tax objects, and in them is attended often with much doubt and many difficulties, inasmuch as the tax objects and the persons using them vary in their circumstances and employments, and pleasure and luxury alternate with business and necessity.

If the tax be sanctioned, the Tax Department will have a lively time of business in store, and if *one* exemption is granted, a fresh crop of claims for exemption will be sure to spring up, with perhaps much stronger arguments in their favour.

Much the same criticism may be applied to the proposed Van tax and Cart Wheel tax.

Anomalies at once arise, for many agricultural waggons would be exempt, also all carts weighing 2 cwt. and under.

Proposed new tax on Vans and on Wheels of Vans and Heavy Carts.

Vans, &c., of 10 cwt., and under, would escape the Van tax, but pay Wheel tax ; and all waggons used in other employ than husbandry, and above 10 cwt., would suffer under the imposition of both Van and Cart Wheel tax.

The distinction in favour of agricultural carts not used in haulage seems curious.

All carts are used for haulage and for nothing else ; perhaps their exemption, however, may enable farmers to pay their present rents more easily.

Already it is represented that the frequency with which vans and carts are used on the roads should be considered in framing a tax of this kind, and that certain vans, &c., used only at particular seasons, would be very unfairly taxed under the proposed plan.

It must also be remembered that as goods in shops and warehouses pay no rates but what may be laid on the buildings

containing them, so in equity should vans, carts, carriages, and horses, be included, according to this principle, in the rates falling upon sheds, coach-houses, and stables.

If these particular forms of property are to be taxed for maintaining the roads, so should commodities which by their weight greatly assist in the wear and tear of roads, and the conveyance of which goods leads to the employment of these vehicles and horses and the building of these sheds, coach-houses, and stables.

These two taxes seem to have provoked more hostility than other parts of the financial proposals much more dangerous and insidious ; but considering how very lightly most manufactures and commodities are taxed (except in respect of private rents), they do not seem unreasonable imposts to meet the wear and tear of roads and streets, though doubtless the particular and partial plan of assessment is the real cause of complaint.

It is argued that the old Turnpike Tolls were more equitable, and this is true enough, but at the best they were clumsy barbarous expedients.

That there is a better and juster plan of raising a tax of the kind on Vehicles of all sorts and Horses, I have no doubt ; but I believe it is only to be attained by the adoption of a comprehensive system of taxation, with adequate organisation and machinery, and this is too large a question to enter upon here.

Proposed improvements in the ordinary Carriage and Hackney Carriage Duties.

The modifications proposed in the ordinary Duties on Carriages and Hackney Carriages are not of a kind to provoke comment. They will remove some of the objections urged by carriage makers ; but the Wheel and Van Taxes will affect other branches of the general trade, and thus may indirectly affect the carriage makers.

Proposed increase in Customs Duty on Bottled Wines.

The proposed addition to the Customs Duties on imported Bottled Wines is a return to differential rates of duty, but levied, as it soon will be, only on wines of the more expensive kinds, it will gradually become a more equitable tax.

But fresh anomalies will arise, for Bottled Spirits will be found to have an advantage over Spirits in Cask, and those rates will need to be differentiated.

An impetus to industry will, however, be induced by this simple and limited application of the *ad valorem* system of taxation.

The countries whose wines are affected by the increased tariff will not probably be more disposed than now to admit our exports free of duty or at reduced tax rates for the proposed additional rate is an increase of 150 per cent. on the former rate for bottled wines under 26 degrees of proof spirit.

The Income Tax proposals are the last requiring notice.

It is proposed to exempt owners of farms who represent that they make no profit from their lands under Schedule A.

Where this is actually the case, or their profit is below £150 a year, they would seem entitled to exemption under the present law.

How far it may serve as a precedent in respect of Schedules B and D it is difficult to say, but in all cases where accounts are not kept, and even in some where they are kept, the revenue officials will be placed in an unfair position of great embarrassment and doubt as to whether this exceptional exemption is fully justified.

The rate of Income Tax has been proposed to be reduced one penny per pound on all the schedules, but this announcement has been accompanied with a distinct intimation that 6d. per pound of income is henceforward to be considered as the normal peace rate of this tax!

Mr. Gladstone once pronounced a threepenny rate sufficient in times of peace, and subsequently proposed to sweep away this inequitable tax entirely.

But here is a distinct proposal to permanently retain this notoriously unjust tax, and at the high tax rate of 6d. in the income pound in times of profound peace.

There remains a subject of pure finance to notice, it is the proposal to mortgage the released revenue from the Suez Canal shares held by the State, expected to be available in the year 1894-5, and for four ensuing years, and devote the proceeds of this mortgage to the present defence of certain ports and coaling stations.

To take such a course would be a clear violation of the sound financial maxim that *the expenditure of a given year should be met out of its particular and proper revenues.*

In reference to the general financial situation, it would appear that the transfer of imperial taxes to local bodies in excess of the grants formerly allowed them would naturally

Proposals on the Income Tax.

To exempt owners farming without profit.

To reduce rate from 7d. to 6d., but to fix the peace rate permanently at 6d.

Proposed mortgage of expected increased revenue in 1894-5, &c.

Remarks on the financial situation and the general scope of the Budget proposals.

place it out of the power of the Chancellor of the Exchequer to do more than propose a humdrum Budget, unless he advanced some new and broad principle of taxation for future adoption.

But it may be safely affirmed that not one single real step has been taken towards placing their rightful burdens on owners of urban lands and property, and but a very partial attempt (and that, perhaps, to prove unsuccessful) has been made to compel other kinds of property to contribute to tax funds, largely employed in giving value to such property or in maintaining their value.

Instead of this, a host of fresh imposts with little relation to any fixed principle has been created, further to irritate and worry people actively engaged in business, trade, and commerce, in order to take off one penny from the income tax, which weighs but very lightly on actual property.

These proposals cannot but be viewed as retrograde ; indeed, in some respects, *dangerously* retrograde.

The main fallacy which seems to underlie and to have inspired this general scheme for tax endowment of local bodies, consists in assuming that taxes and rates imposed on house and land rents are solely, or even chiefly, borne by the owners of lands and houses, whereas, as I hope I have sufficiently shown in my remarks on the Inhabited House Duty, and Local Rates, they actually are borne equally at least, if not in larger proportion, by the occupiers or hirers of such properties, and that the exemption of unoccupied houses and lands from taxation much assists owners in sustaining their rentals or in forcing them up as rack-rents.

APPENDIX A.

Statistical Obstacles in comparing relative Taxation of classes.

How is the true line of separation to be adjusted between the classes compared ?

Should there not be a separate family unit for each class compared ?

Should there not be estimates of income in cash and kind, including board, rent, grazing, and other privileges, for those members in families receiving such, not forgetting the lodger—an important factor in working-class families ?

What sets-off must be allowed in each trade, handicraft, &c., for cessation or reduction of pay, for holidays, sickness, strikes, lock-outs, and other usual or unusual causes ?

What contribution of tax, do the *richer* make to the *poorer* classes, in taxed articles, &c., distributed to the latter in private relief and assistance ?

How are paupers, and those in receipt of partial relief to be treated in the comparison of classes ?

What is the true consumption of taxed articles, including coal in London, per head, or per family, in each of the classes compared ?

What is the *primary* incidence of each tax per head, on each class ?

What is the amount of tax evaded in respect of the Death Duties and Income Tax, and what the corresponding amount of income to be taken into account on either side of the comparison ?

Should not the large difference in taxation per head in Ireland and in Great Britain, be adjusted in a general comparison of classes, incomes, and their relative taxation ?

APPENDIX B.

NET TAXATION OF 1884-85 IN THE UNITED KINGDOM,

Based on the Finance Accounts and the Reports of the Inland Revenue and Customs Departments issued in 1885 apportioned (as far as possible) between Great Britain and Ireland, in accordance with the information supplied by those Returns.

INLAND REVENUE—EXCISE.

	United Kingdom.			Great Britain.			Ireland.		
	£	s.	d.	£	s.	d.	£	s.	d.
Spirits, based on quantities retained for Home Consumption, as on page 105 of Inland Revenue Report	13,987,472	5	2	11,457,158	7	3	2,530,313	17	11
Beer, &c., based on quantities retained for Home Consumption, as on page 105 of Inland Revenue Report	8,544,749	6	9	7,863,908	12	1	680,840	14	8
Licenses—Proportion according to information on In. Rev. Report ..	2,559,819	10	9	2,428,211	1	6	131,608	9	3
Coffee Mixture Labels	4,571	0	9	4,186	7	2	384	13	7
Patent Medicine Dealers ... (Ireland not subject to this Tax)	5,000	0	0	5,000	0	0	.....	
Carriages, Private and Hackney Do.	546,046	0	0	546,046	0	0	.....	
Railways ... Do.	392,232	0	0	392,232	0	0	.....	
Dog Owners ... Do.	341,680	0	0	341,680	0	0	.....	
Armorial Bearings... ..(Ireland not subject to this Tax)...	77,053	0	0	77,053	0	0	.....	
Employers of Male Servants Do.	138,955	0	0	138,955	0	0	.....	
Chicory	2,255	12	7	2,255	12	7	.....	
Surplus above Net Excise Revenue paid into Exchequer unserviceable of classification from Inland Revenue Returns, but apportioned at like ratio to Great Britain and Ireland ...	166	4	0	140	19	2	25	4	10
TOTALS CARRIED TO INLAND REVENUE SUMMARY, p. 164 ...	£26,600,000	0	0	£23,253,826	19	9	£3,343,173	0	3

SUMMARY OF INLAND REVENUE.				United Kingdom.		Great Britain.		Ireland.	
				£	s. d.	£	s. d.	£	s. d.
Excise	...	...	...	26,600,000	0 0	23,256,826	19 9	3,343,173	0 3
Stamps	...	...	...	11,925,000	0 0	11,165,769	10 4	759,230	9 8
Taxes	...	...	...	14,960,000	0 0	14,350,000	0 0	600,000	0 0
<i>Inland Revenue paid into the Exchequer</i>				53,475,000	0 0	48,772,596	10 1	4,702,403	9 11
<i>Less:—Net cost of Collection, according to the Appropriation Account, and the Auditor and Comptroller General's report thereon:—</i>				1,831,479	1 9	1,670,425	5 3	161,053	16 6
<i>Apportioned to Great Britain and Ireland in proportion to their respective taxation in the absence of sufficient records</i>									
<i>Net Inland Revenue, apportioned according to the facts available, and estimated in other cases as shown herein</i>				£51,643,520	18 3	£47,102,171	4 10	£4,541,349	13 5
CUSTOMS.									
<i>Revenue from the United Kingdom paid into the Exchequer</i>				20,321,000	0 0	.....		.....
<i>Less:—Net Cost of Collection, according to the Appropriation Account, and the Auditor and Comptroller General's report thereon...</i>				954,787	17 0	.....		.....
<i>Net Customs Revenue, apportioned to Great Britain and Ireland according to the ratio of Table 2, Customs Department Report</i>				£19,366,212	3 0	£17,461,340	9 6	£1,904,871	13 6
<i>Abstract of Inland Revenue and Customs Net Taxation—</i>									
Inland Revenue	...	...	...	51,643,520	18 3	47,102,171	4 10	4,541,349	13 5
Customs	...	...	...	19,366,212	3 0	17,461,340	9 6	1,904,871	13 6
TOTAL NET TAXATION, 1884-5	...	...	...	£71,009,733	1 3	£64,563,511	14 4	£6,446,221	6 11
Taking the mean of the Population in Great Britain and Ireland in the middle of the two years 1884 and 1885 (see Statistical Abstract, 1885), the above figures show the Taxation per head				39s. 4d.		41s. 5d.		26s. 1d.	

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